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SURVEY of Current Affairs

Government and Administration

Ministerial Changes 99
By-election and State of the Parties 100
Constitutional Proposals for Northern Ireland 101
Prevention of Terrorism Act 102
Recent Legislation 104

External Affairs and Defence

The Falkland Islands: Argentine Invasion 105
European Council 112
Shorter Note
Visit of Prime Minister of India 114

Economic and Scientific Affairs

The Budget 1982-83 115
Public Expenditure Plans 123
Balance of Payments in 1981 128
Amersham International 130
Shorter Notes
Small Engineering Firms Investment Scheme 132; Aid for Industrial Innovation 132; Aid for Industrial Energy Users 132

Social and Cultural Affairs

Crime, Law and Order 134
Social Security Benefits 136
Drug Abuse by Young People 139
Cable Television Systems 141

Documentation 143

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GOVERNMENT AND ADMINISTRATION

Ministerial Changes

Following the resignation of the Foreign Secretary and other ministers on 5 April after the Argentine invasion of the Falkland Islands (see pp 105-12), a number of new ministerial appointments have been made.

The new appointments to the Cabinet are as follows:

Secretary of State for Foreign and Commonwealth Affairs and Minister of Overseas Development
Rt Hon Francis Pym, MC, MP (former Lord President of the Council and Leader of the House of Commons)

Lord President of the Council and Leader of the House of Commons
Rt Hon John Biffen, MP (former Secretary of State for Trade)

Lord Privy Seal and Leader of the House of Lords
Rt Hon The Baroness Young (former Chancellor of the Duchy of Lancaster)

Chancellor of the Duchy of Lancaster and Paymaster General
Rt Hon Cecil Parkinson, MP (former Paymaster General)

Secretary of State for Trade
Rt Hon The Lord Cockfield (former Minister of State, Treasury)

The following Cabinet ministers tendered their resignations; their former posts are given in parentheses:

Rt Hon The Lord Carrington, KCMG, MC
(Secretary of State for Foreign and Commonwealth Affairs and Minister of Overseas Development)

Rt Hon Humphrey Atkins, MP
(Lord Privy Seal)

Another minister offering his resignation was:

Mr Richard Luce, MP
(Minister of State, Foreign and Commonwealth Office)

Other appointments are:

Foreign and Commonwealth Office
Ministers of State
The Lord Belstead (former Parliamentary Under-Secretary of State, Home Office)
Mr Cranley Onslow, MP
Parliamentary Under-Secretary of State
Mr Malcolm Rifkind, MP (former Parliamentary Under-Secretary of State, Scottish Office)

Department of Health and Social Security
Parliamentary Under-Secretary of State
The Lord Trefgarne (former Parliamentary Under-Secretary of State, Foreign and Commonwealth Office)

Home Office
Parliamentary Under-Secretary of State
The Lord Elton, TD (former Parliamentary Under-Secretary of State, Department of Health and Social Security)

Department of Industry
Parliamentary Under-Secretary of State
Mr John Butcher, MP

Scottish Office
Parliamentary Under-Secretary of State
Mr John MacKay, MP

Treasury
Minister of State
Mr John Wakeham, MP (former Parliamentary Under-Secretary of State, Department of Industry)

In his letter of resignation, Lord Carrington told the Prime Minister, Mrs Margaret Thatcher, that the invasion of the Falkland Islands had led to strong criticism of government policy and, while in his view, much of the criticism was unfounded, it was he who had been responsible for the conduct of that policy and he thought it right that he should resign. He concluded with regret that the support which the Government deserved of both Parliament and the country would be more easily maintained if the Foreign Office were entrusted to someone else. In reply, the Prime Minister accepted 'with the greatest reluctance', Lord Carrington's 'unalterable decision' to resign

and spoke of 'the most outstanding service' he had given and of his many and great achievements as Foreign and Commonwealth Secretary.

Both Mr Humphrey Atkins and Mr Richard Luce offered their resignations because of their responsibilities for the conduct of foreign and Commonwealth affairs. The Prime Minister accepted both their resignations with the greatest regret and reluctance.

Lady Young will continue to be the Minister in day-to-day charge of the Civil Service.

The appointment of Mr Cecil Parkinson, MP, combines two previously separate posts – Chancellor of the Duchy of Lancaster and Paymaster General; he does not draw a ministerial salary. Lord Cockfield has been appointed to the Privy Council.

The Cabinet

Following the new appointments, the composition of the Cabinet is as follows:

Prime Minister, First Lord of the Treasury and Minister for the Civil Service
Rt Hon Margaret Thatcher, MP

Secretary of State for the Home Department
Rt Hon William Whitelaw, CH, MC, MP

Lord Chancellor
Rt Hon The Lord Hailsham of Saint Marylebone, CH, FRS

Chancellor of the Exchequer
Rt Hon Sir Geoffrey Howe, QC, MP

Secretary of State for Foreign and Commonwealth Affairs and Minister of Overseas Development
Rt Hon Francis Pym, MC, MP

Secretary of State for Education and Science
Rt Hon Sir Keith Joseph, Bt, MP

Secretary of State for Northern Ireland
Rt Hon James Prior, MP

Secretary of State for Defence
Rt Hon John Nott, MP

Minister of Agriculture, Fisheries and Food
Rt Hon Peter Walker, MBE, MP

Secretary of State for the Environment
Rt Hon Michael Heseltine, MP

Secretary of State for Scotland
Rt Hon George Younger, TD, MP

Secretary of State for Wales
Rt Hon Nicholas Edwards, MP

Secretary of State for Industry
Rt Hon Patrick Jenkin, MP

Lord President of the Council and Leader of the House of Commons
Rt Hon John Biffen, MP

Secretary of State for Transport
Rt Hon David Howell, MP

Secretary of State for Social Services
Rt Hon Norman Fowler, MP

Chief Secretary to the Treasury
Rt Hon Leon Brittan, QC, MP

Lord Privy Seal and Leader of the House of Lords
Rt Hon The Baroness Young

Secretary of State for Energy
Rt Hon Nigel Lawson, MP

Secretary of State for Employment
Rt Hon Norman Tebbit, MP

Chancellor of the Duchy of Lancaster and Paymaster General
Rt Hon Cecil Parkinson, MP

Secretary of State for Trade
Rt Hon The Lord Cockfield

By-election and State of the Parties

Details of the result of a recent by-election and the present state of the parties in the House of Commons are given below.

The Social Democratic-Liberal Alliance gained the seat at Glasgow, Hillhead, in a parliamentary by-election on 25 March. The seat became vacant following the death in January of the Conservative MP, Sir Thomas Galbraith. The Alliance candidate, Mr Roy Jenkins, who is a former Labour cabinet minister and co-founder of the Social Democratic Party (SDP – see p 88, 1981), will sit in the House as a Social Democratic MP. Mr Jenkins won by a majority of 2,038 votes. The results were as follows:

R. Jenkins (Social Democratic-Liberal Alliance)	10,106
G. Malone (Conservative)	8,068
D. P. Wiseman (Labour)	7,846
G. Leslie (Scottish National Party)	3,416

Four other candidates between them received 853 votes; they and the Scottish National candidate all lost their deposits; 76·7 per cent of the electorate voted.

State of the Parties

Following the by-election and the death in February of the Conservative MP for Beaconsfield, Sir Ronald Bell, QC, the state of the parties in the House of Commons is now as follows[1]:

Conservative	332
Labour	239
Social Democratic	29
Liberal	12
Scottish National	2
Plaid Cymru (Welsh Nationalist)	2
Official Unionist (Northern Ireland)	5
Democratic Unionist (Northern Ireland)	3
United Ulster (Northern Ireland)	1
Ulster Progressive Unionist (Northern Ireland)	1
Independent Socialist (Northern Ireland)	1
Anti-H-Block Proxy Prisoner (Northern Ireland)	1
Independent Labour	1
Independent SDP	1
Vacant	1
TOTAL	631

[1]The Anti-H-Block Proxy Prisoner member for the Fermanagh and South Tyrone constituency of Northern Ireland (see p 254, 1981) has not taken his seat in the Commons.

The four remaining seats are held by the Speaker of the House of Commons and his three deputies (the Chairman of Ways and Means and the first and second Deputy Chairmen of Ways and Means) who do not vote except in their official capacity in the event of a tie. The overall Government majority over all other parties is 34.[1]

Constitutional Proposals for Northern Ireland

In a White Paper[2] published on 5 April the Government sets out proposals for the restoration of devolved government to Northern Ireland. The proposals are flexible and provide a framework within which acceptable arrangements may be developed: an elected assembly which, from its inception, would have scrutinising, deliberative and consultative functions and the main task of making recommendations for full or partial devolution of responsibilities. These arrangements would provide an opportunity to establish a stable and durable system of government acceptable to both sides of the community. Legislation will be introduced in this session of Parliament to give effect to the proposals and it is hoped to hold elections later in the year.

Introducing the proposals in the House of Commons on the publication of the White Paper (*Hansard*, Vol 21, No 93, cols 692 - 702), the Secretary of State for Northern Ireland, Mr James Prior, said that they were designed to meet two objectives: first, to provide at once a means for greater democratic participation by the people of Northern Ireland in their own affairs; and, secondly, to give them the opportunity to evolve for themselves an acceptable form of government. Support for the proposals was expressed by Mr Don Concannon, Opposition spokesman on Northern Ireland, who said that they were broadly in line with what the Opposition would want to do and build upon, although he was doubtful about the timing.

The White Paper

The White Paper says that there is an urgent need for the people of Northern Ireland to have a new opportunity to resume greater power and responsibility in running their own affairs. Direct rule from Westminster has been accepted as a temporary arrangement but it is not a long-term answer. As a result there is continuing uncertainty in Northern Ireland which undermines its political stability. Political stability, economic recovery and the defeat of terrorism go hand in hand. Political instability discourages the domestic and international investment so vitally needed to create confidence, prosperity and jobs.

The proposals do not require any group in Northern Ireland to compromise its deeply held beliefs. The Government believes that the politicians of Northern Ireland have an inescapable responsibility to work out an acceptable scheme for themselves. It will institute any reasonable scheme of administration which has the support of a substantial majority of the proposed assembly and is acceptable to both sides of the community. The proposals establish an entirely new degree of flexibility which provides the opportunity for a scheme to be evolved which will bring back real political participation to the people of Northern Ireland.

The Two Identities in Northern Ireland

The White Paper refers to the 'two identities' in Northern Ireland. The majority of the population think of themselves as British. They regard themselves as part of the social and cultural fabric of the United Kingdom and their loyalty lies to the Crown. They favour continuance of the union with the rest of the United Kingdom. There is also a substantial minority who think of themselves as Irish whether in terms of their identity, their social and cultural traditions or their political aspirations. Many of them would like to see a united Ireland in some form. This difference in identity and aspiration cannot be ignored or wished away. There are however, and always have been, many activities in Northern Ireland – including the work of many people serving on numerous public bodies and in voluntary organisations – which successfully bridge the community divide. It is the wish of the great majority of the people in Northern Ireland to live together in peace and harmony. Yet it is not possible to ignore the intensity of feeling generated between the two sides or the fact that each tends to take a distinctive view not only on constitutional issues but also on wider issues such as religion, culture and education. The object of the proposals is to point to a way whereby, in spite of their acknowledged and continuing differences, the two sides of the community may achieve sufficient mutual respect, and make sufficient mutual accommodations, to participate more creatively in the public life of Northern Ireland.

At government level, the Anglo-Irish Intergovernmental Council, which was established after the UK-Irish talks and joint studies which began in 1980 (see p 318, 1981), gives institutional expression to the unique relationship between the two governments without affecting national sovereignty. If a devolved government came into being in Northern Ireland it would be able to make bilateral arrangements and agreements with the Government of the Irish Republic concerning those matters for which it was responsible. It is for the United Kingdom and Irish Parliaments to consider whether the governmental meetings of the Council should be complemented by a UK-Irish body at parliamentary level in which members of an elected assembly in Northern Ireland could take part. The Government would expect the arrangements to enable members of the Northern Ireland Assembly to participate if they so wished.

[1]The Anti-H-Block Proxy Prisoner member for the Fermanagh and South Tyrone constituency of Northern Ireland (see p 254, 1981) has not taken his seat in the Commons.

[2]*Northern Ireland: A Framework for Devolution.* Cmnd 8541. HMSO, £2·30. ISBN 0 10 185410 2.

The Constitutional Proposals

Central to the proposals is a new 78-member Northern Ireland Assembly elected by the single transferable vote system of proportional representation whose main task would be to reach agreement on the way devolved functions would be exercised. Assembly members would elect their own Presiding Officer. Until it could put forward a scheme for the devolution of powers, the Assembly would have important consultative and deliberative functions. It would be able to scrutinise and comment on draft legislation and make reports to the Secretary of State. It would monitor and report on the policies and activities of the Northern Ireland departments and, to this end, would be required to establish a committee corresponding to each department. The appointments of chairmen, deputy chairmen, and members of each committee would be made by the Presiding Officer and would, so far as practicable, reflect party representation in the Assembly. The chairmen and deputy chairmen would receive salaries. Ministers and the Northern Ireland departments would co-operate closely with the Assembly and its committees.

Proposals for Devolution

The Assembly would be required to make proposals on the way in which a Northern Ireland administration should be formed and under what agreements executive powers should be exercised. The powers available for devolution would be the full range of legislative and executive responsibilities which were devolved in 1973; that is, subjects other than law and order and matters relating to the Crown, foreign affairs and defence. The essential criterion for devolution is that the Assembly's proposals are acceptable to both sides of the community. If 70 per cent of Assembly members agreed on a report on the way in which powers should be exercised and an administration formed, that report would be submitted to the Secretary of State who would be required to lay it before Parliament. Proposals agreed by less than 70 per cent, but which appeared to the Secretary of State to be acceptable to both sides of the community, could be submitted to the Secretary of State at his request and would then be laid before Parliament. When Parliament came to consider any proposals, the Government would express a view on whether those proposals were acceptable to both sides of the community.

Partial/Full Devolution

The Assembly could proceed directly to full devolution under which all the Northern Ireland departments would come under the control of a Northern Ireland Executive. Alternatively there could be partial devolution under which one or more departments could be devolved. For instance, three of the Northern Ireland departments could be devolved, and the heads of these departments would be members of the Assembly answerable to the Assembly, while the rest stayed under the Secretary of State's control. Partial devolution could lead on to further or full devolution. In the case of partial devolution, executive responsibility would be shared among United Kingdom ministers and departmental heads drawn from the Assembly.

If the arrangements which had led to devolution in the first place lost the broad support in the Assembly, the devolved powers could be 'rolled back' to the Secretary of State and the United Kingdom Parliament until fresh proposals were agreed.

A Northern Ireland Executive

Once full devolution had taken place, the Secretary of State, taking account of the Assembly's recommendations, would appoint a Northern Ireland Executive consisting of not more than 13 members. Provided the Executive retained its support within the Assembly, elections would be held every four years.

If the Executive lost the broad support on which the proposals leading to devolution had been based, devolved powers could be 'rolled back' to the Secretary of State, or the Assembly could revert to its earlier consultative functions or be prorogued. If there were no prospects of forming another Executive, the Assembly could be dissolved and fresh elections held.

[For background information see COI reference pamphlet, *Northern Ireland* No 127/81.]

Prevention of Terrorism Act

A review of the Prevention of Terrorism Act has been announced by the Home Secretary in a debate in the House of Commons in which the legislation was renewed for a further year. While acknowledging that the Act made 'a considerable inroad' into civil liberties the Government believes that its renewal is necessary to combat terrorism and that it is an important element in defending the public against those who seek political change in Ireland by means of violence.

The Prevention of Terrorism (Temporary Provisions) Act 1976 empowers the Home Secretary to make exclusion orders against anyone connected with terrorism who is not a United Kingdom citizen normally resident in Great Britain or Northern Ireland to prevent him or her from entering Great Britain, Northern Ireland or the United Kingdom as a whole. It also gives the police powers to arrest without warrant a person suspected of involvement in terrorism and to detain that person for up to 48 hours, and authorises the Secretary of State to extend the period of detention for up to a further five days. The Act also provides for a person to be detained at a port; allows for the proscription of terrorist organisations; and makes it an offence to withhold information about acts of terrorism. The 1976 Act replaced and widened the provisions of the Prevention of Terrorism (Temporary Provisions) Act

1974 which also allowed for the detention of suspected terrorists and for exclusion orders.

Review of Legislation

Opening the debate on the renewal of the Prevention of Terrorism (Temporary Provisions) Act 1976 on 15 March (*Hansard*, Vol 20, No 78, cols 151-71) the Home Secretary, Mr William Whitelaw, said that it was a temporary measure subject to annual approval and there was an understandable demand that it be kept under close scrutiny. The Act was last reviewed by Lord Shackleton in 1978 (see pp 323-4, 1978) and a further review would now be undertaken by Lord Jellicoe[1] with the same terms of reference: 'Accepting the continued need for legislation against terrorism, to assess the operation of the Prevention of Terrorism (Temporary Provisions) Act 1976, with particular regard to the effectiveness of this legislation and its effect on the liberties of the subject.'

Lord Shackleton had made a number of recommendations for improvements in the operation of the Act and it would be part of the task of the review to examine how they had worked out in practice. It would also consider the powers contained in the Act, see what use had been made of them, what complaints had been made of their possible misuse, and consider their drawbacks for civil liberties and their benefits in the prevention of terrorism.

Need for Renewal

Introducing a motion to approve the order to renew the legislation, Mr Whitelaw said he did not do so in a 'routine spirit' but, having consulted those whose job it was to prevent terrorism, he felt bound to recommend 'these unwelcome powers' be kept for a further year. People on the British mainland were reminded tragically a few months ago of the evil and vicious crimes of those who sought political change in Ireland by means of violence. There had been the Provisional IRA bombing campaign in London last October and November; the nail bomb at Chelsea Barracks which killed two passers-by and injured over 40 civilians and soldiers; the bombing of the car which severely injured Lieutenant-General Sir Steuart Pringle [Commandant General of the Royal Marines]; the bombs placed in shops in Oxford Street, one of which killed a Metropolitan Police bomb disposal officer; the bombing of the London home of the Attorney-General; and the placing of explosive in a toy pistol which injured two women outside Woolwich Barracks. These were all the work of men who treated human life with contempt and were prepared to murder and maim without compunction in the hope of advancing their cause. The police were relied on for protection against these evil men and they required the additional powers to deal with terrorism which Parliament had granted them under this Act.

Since the earlier Prevention of Terrorism Act came into force in 1974 to the end of February 1982, over 5,300 people had been detained in Great Britain under the provisions of the legislation, 257 of them in the past year. This was the lowest number for any year since 1974. Over the past year 50 extensions of detention beyond 48 hours had been granted, also the lowest number since 1974. Mr Whitelaw said that, in his view, these reductions were due in the main to the deterrent effect of the port and internal controls carried out under the Act and to the sensitivity and selectivity of those administering them. This interpretation was supported by the fact that the proportion of those detained who were subsequently charged or excluded was substantially higher than in the early years of the Act's operation.

Turning to exclusion orders, Mr Whitelaw said that, to make an order, he had to be satisfied that a person was or had been concerned in the commission, preparation or instigation of acts of terrorism. Every application for exclusion was carefully considered. Since 1974, the police had made 320 applications and 277 orders had been signed, eight of them in the past year. Under the arrangements to review an exclusion order three years after it was made, he had in the last year revoked nine orders. Altogether 32 orders had been revoked.

The Act also applied to Northern Ireland where, during 1981, 495 people had been arrested and the Secretary of State for Northern Ireland had granted 403 applications for extensions beyond 48 hours. A substantial proportion of those detained had subsequently been charged with offences and the Government was satisfied that this power was of great assistance to the Royal Ulster Constabulary in its fight against terrorism. In 1981 orders were signed excluding 11 people from Northern Ireland or from the United Kingdom as a whole.

Mr Whitelaw said that the events of the past few months and the effective use to which the Act had been put convinced him that for the present such powers remained essential. The review would enable the Government to consider whether the powers were being operated as it would wish: with the minimum inconvenience to innocent members of the public, with the least possible infringement of civil liberties but with as much effect as possible in combating the work of those who used violence for political ends.

Opposition View

The Opposition spokesman on home affairs, Mr Roy Hattersley, said he regarded the Prevention of Terrorism Act as wrong in principle and a severe and substantial infringement of civil liberties. He had grown increasingly dubious about its practical advantages and ability to make a net contribution to the campaign against terrorism and violence. He had no doubt that the operation of the Act provided help of a sort to the security services but he questioned whether the assistance it provided matched the damage it had done to the cause of law and order. The powers contained in the Act were originally accepted by Parliament as a temporary measure to meet an immediate emergency but had gradually over the years become more and more permanent. They resulted

[1]Lord Jellicoe has held several ministerial appointments and was Lord Privy Seal and Leader of the House of Lords from 1970 to 1973.

in people who were not guilty being held for either 48 hours or seven days. Only in the most exceptional circumstances – circumstances similar to the slaughter of the people in the Birmingham pub in 1974 when 21 people were killed and 170 injured [after which the legislation was introduced] – would he regard the continuation of the Act justified. Mr Hattersley said that he and his colleagues on the Opposition front bench would abstain from voting on the continuation of the Act.

Recent Legislation

The public Acts of Parliament passed between November 1981 and April 1982 are listed below.

[1]*Agricultural Training Board Act 1982.* Consolidates the law relating to the Agricultural Training Board. Royal Assent: 29.3.82.

Canada Act 1982 (see pp 72-3). Royal Assent: 29.3.82. Ch 11, ISBN 0 10 541182 5, HMSO, £3·05.

Civil Aviation (Amendment) Act 1982. Increases the borrowing limits of the British Airports Authority and the British Airways Board. Royal Assent 2.2.82. Ch 1, ISBN 0 10 540182 X, HMSO, £2·30.

[1]*Coal Industry Act 1982* (see pp 47–9). Royal Assent: 7.4.82.

Consolidated Fund Act 1981. Royal Assent: 22.12.81. Ch 4, ISBN 0 10 540481 0, HMSO, 30p.

Consolidated Fund Act 1982. Royal Assent: 22.3.82. Ch 8, ISBN 0 10 540882 4, HMSO, 30p. Both Acts give parliamentary authority for sums to be issued out of the Consolidated Fund to meet the Government's expenditure requirements.

Currency Act 1982. Replaces section 1(i) of the Decimal Currency Act 1967 so as to sanction references to the new penny as the penny. Royal Assent: 2.2.82. Ch 3, ISBN 0 10 540382 2, HMSO, 30p.

[1]*Fire Service College Board (Abolition) Act 1982.* Royal Assent: 7.4.82.

Hops Marketing Act 1982. Revokes the Hop Marketing Scheme 1932 to provide for the dissolution of the Hops Marketing Board. Royal Assent: 25.2.82. Ch 5, ISBN 0 10 540582 5, HMSO, £1·15.

Housing (Amendment) (Scotland) Act 1981. Increases the borrowing powers of the Scottish Special Housing Association. Royal Assent: 22.12.81. Ch 72, ISBN 0 10 547281 6, HMSO, 30p.

Industrial Training Act 1982. Consolidates the law relating to industrial training boards. Royal Assent: 29.3.82. Ch 10, ISBN 0 10 541082 9, HMSO, £2·95.

New Towns Act 1982. Increases the borrowing powers of the new town development corporations. Royal Assent: 25.2.82. Ch 7, ISBN 0 10 540782 8, HMSO, 30p.

Nuclear Industry (Finance) Act 1981. Raises the borrowing limits imposed by the Nuclear Industry (Finance) Act 1977 in relation to British Nuclear Fuels Limited. Royal Assent: 22.12.81. Ch 71, ISBN 0 10 547181 X, HMSO, 30p.

[1]*Reserve Forces Act 1982.* Makes minor amendments to the Reserve Forces Act 1980, itself a consolidation of existing legislation. Royal Assent: 7.4.82.

Shipbuilding Act 1982. Raises the financial limits imposed by two previous Acts of 1977 and 1978 in relation to British Shipbuilders and its wholly owned subsidiaries. Royal Assent: 25.2.82. Ch 4, ISBN 0 10 540482 9, HMSO, 30p.

Social Security (Contributions) Act 1982. Provides for changes in the levels of certain contributions payable under the Social Security Act 1975. Royal Assent: 2.2.82. Ch 2, ISBN 0 10 540282 6, HMSO, £1·15.

Transport (Finance) Act 1982. Increases the borrowing limits of the British Railways Board and the National Bus Company. Royal Assent: 25.2.82. Ch 6, ISBN 0 10 540682 1, HMSO, 70p.

[1]Publication details of these Acts were not available at the time of going to press.

EXTERNAL AFFAIRS AND DEFENCE

The Falkland Islands: Argentine Invasion

Following Argentina's invasion and occupation of the Falkland Islands and Dependencies in early April, the British Government has emphasised its determination to free the Islands from occupation and return them to British administration at the earliest possible moment. Britain hopes to achieve this by diplomatic means but if necessary is prepared to use force. A Royal Navy task force is being sent to the South Atlantic, and a 200-mile maritime exclusion zone has been declared around the Falklands. Diplomatic relations with Argentina have been broken off, Argentine assets in Britain have been frozen, export credit cover for new business has been suspended and all imports from Argentina banned. Many countries have condemned Argentina's aggression, and the United Nations Security Council has called for the immediate withdrawal of all Argentine forces from the Islands.

Although Argentina claims sovereignty over the Falklands on the grounds that it has succeeded to rights claimed by Spain in the eighteenth century, successive British Governments have had no doubts about British sovereignty over the Islands, which have been continuously, peacefully and effectively occupied by Britain since 1833. The Islanders have repeatedly emphasised their wish to retain the link with Britain and not to become independent or associated with any other country.

Since 1965 various attempts have been made by Britain and Argentina to deal with the issue through negotiation (see p 111 for further information), the most recent round of talks taking place in New York in February 1982. The joint communiqué issued at the end of the meeting said: 'The meeting took place in a cordial and positive spirit. The two sides reaffirmed their resolve to find a solution to the sovereignty dispute and considered in detail an Argentine proposal for procedures to make better progress in this sense. They agreed to inform their governments accordingly.' The communiqué, however, was not issued in Buenos Aires. Instead the Argentine Government unilaterally published a statement in which it reserved the right to choose freely the procedure which best accorded with its interests.

South Georgia Incident

Relations between Britain and Argentina began to deteriorate during March when an incident took place in South Georgia, one of the Falkland Islands Dependencies and also claimed by Argentina. Britain has exercised sovereignty over the island since 1775 and a British Antarctic Survey base is maintained there throughout the year. On 19 March the base commander reported that an Argentine navy cargo vessel had anchored in Leith Harbour, that a large party of Argentines was setting up camp and that the Argentine flag had been hoisted. The men were there to carry out a valid commercial contract to remove scrap metal from a former whaling station, but they had not complied with British immigration procedures. The landing party was informed that it had no right to be present on South Georgia without prior permission from the British authorities and was asked either to seek the necessary clearance or to leave. Britain made it clear to the Argentine Government that it regarded the incident as potentially serious and asked it to arrange for the immediate departure of the ship and the landing party, while pointing out that the men's position could be regularised if the necessary authorisation was sought.

In response the Argentine Government claimed to have had no prior knowledge of the landing and, while assuring Britain that no serving military personnel were involved, stated that it was unreasonable to seek British authorisation for the presence of the party on territory claimed by Argentina.

On 21 March the Argentine ship and all but ten of the men left South Georgia. Britain informed the Argentine Government that it could not allow the small number of men to remain and that the captain of HMS *Endurance*, an ice patrol vessel, had been ordered that, as a last resort, he should take the men on board, without using force, and return them to Argentina if the Argentine authorities failed to arrange their departure or to regularise their position.

Further supplies were delivered to the men on 25 March by an Argentine naval transport vessel. On the same day Argentina refused another British request for the men's departure. To avoid confrontation Britain then proposed that, if the party requested the proper authorisation from the British authorities at Grytviken, this would be given. On 26 March Argentina announced that it would give the men all necessary protection and two days later the Argentine Foreign Minister sent a mes-

sage to the then Foreign and Commonwealth Secretary, Lord Carrington,[1] rejecting Britain's proposal to regularise the situation of the men in South Georgia and restating Argentina's claim to sovereignty over the Falkland Islands and its Dependencies. Following this message, Lord Carrington asked the United States Secretary of State, Mr Alexander Haig, to intervene and urge restraint on Argentina.

On 30 March Lord Carrington told the House of Lords (*Hansard* (*HL*), Vol 428, No 68, cols 1577-614) that, while Britain had no desire to interfere in a commercial salvage contract, it could not accept the unauthorised presence of Argentine citizens on British territory. Describing the situation as 'potentially dangerous', Lord Carrington said that the Government had no doubts about Britain's sovereignty over South Georgia and the Falklands and emphasised Britain's wish to pursue a diplomatic solution to the problem. On 31 March, Britain therefore proposed that a senior official should be sent to Buenos Aires for discussions with the Argentine Government. On the same day Britain received information that a large number of Argentine ships, including an aircraft carrier, destroyers, landing craft, troop carriers and submarines were heading for the Falkland Islands. The Prime Minister, Mrs Margaret Thatcher, then contacted the United States President, Mr Ronald Reagan, asking him to intervene directly with the President of Argentina, General Galtieri, and promised that Britain would take no action to escalate the dispute.

On 1 April the Argentine Foreign Minister rejected the idea of a British emissary and told the British ambassador that the diplomatic channel, as a means of settling the dispute, was closed. President Reagan had a long telephone conversation with President Galtieri but his appeals for restraint were disregarded. The United Nations Secretary-General, Mr Perez de Cuellar, met the British and Argentine Permanent Representatives to the United Nations and urged both countries to refrain from the threat or use of force in the South Atlantic. Britain then sought and obtained an emergency meeting of the Security Council to consider the threat to the Falklands. Addressing the Council on the evening of 1 April, Britain's Permanent Representative, Sir Anthony Parsons, emphasised Britain's 'fervent wish . . . to resolve outstanding issues and to avert a crisis'. Pointing out that, in contrast to Argentina, Britain had made repeated efforts to obtain a diplomatic solution, Sir Anthony continued: 'It is this refusal of the Argentine Government to pursue the path of negotiation, combined with its disturbing naval and military preparations, which have led my Government to request this urgent meeting of the Security Council. We ask the Council to call upon the Government of Argentina to exercise the utmost restraint and to refrain from the use or threat of force in the South Atlantic.' The President of the Council called on both sides to refrain from the use of force and to continue to search for a diplomatic solution. Britain associated itself with this statement. Argentina ignored it and invaded and occupied the Falkland Islands on 2 April. On 4 April, the day after the United Nations Security Council had demanded an immediate cessation of hostilities (see p 109), Argentine forces attacked and occupied South Georgia.

[1]Lord Carrington and two of his ministerial colleagues at the Foreign and Commonwealth Office resigned from the Government on 1 April following the Argentine invasion (see p 99).

BRITAIN'S RESPONSE

The Falkland Islands crisis has been the subject of three debates in the House of Commons. In the first two, on 3 and 7 April, the Government informed the House of the measures it was taking in response to Argentina's invasion; in the third debate, on 14 April, it informed the House of Britain's position in the light of United States' efforts to secure a peaceful settlement of the dispute.

Prime Minister's Speech

Opening an adjournment debate in the House of Commons on 3 April (*Hansard*, Vol 21, No 92, cols 633-68) the Prime Minister, Mrs Margaret Thatcher, spoke of a situation of great gravity caused by the fact that British sovereign territory had been invaded by a foreign power. She totally condemned this 'unprovoked aggression' by the Government of Argentina, an action which had 'not a shred of justification and not a scrap of legality'. The Falkland Islands and their Dependencies remained British territory and no aggression or invasion could alter that simple fact. She continued: 'It is the Government's objective to see that the Islands are freed from occupation and are returned to British administration at the earliest possible moment.'

Noting that Argentina had long disputed British sovereignty over the Islands, the Prime Minister said that the Government had no doubt about British sovereignty or the unequivocal wishes of the Falkland Islanders, who were British in stock and tradition. Britain could not allow 'the democratic rights of the Islanders to be denied by the territorial ambitions of Argentina'. In the past 15 years successive British Governments had made it clear to Argentina that the Islanders' wishes were paramount and that 'there would be no change in sovereignty without their consent and without the approval of the House'.

Having outlined the recent deterioration in relations with Argentina, Mrs Thatcher said that a large naval task force would sail once preparations were complete and that HMS *Invincible* would be in the lead and would leave port on 5 April. Some ships were already at sea and others had been put on permanent alert since the evening of 1 April. In the meantime the Government hoped that its continuing diplomatic efforts, helped by Britain's many friends, would meet with success.

The Prime Minister said that all aspects of the relationship between Britain and Argentina were being reviewed. The Argentine chargé d'affaires and his staff had been ordered to leave Britain within four days, and action had been taken to freeze Argentine financial assets held in Britain. An order was being laid before Parliament 'blocking the movement of gold, securities or funds held

in the United Kingdom by the Argentine Government or Argentine residents'.[1] New export credit cover for Argentina had also been suspended.[2] Mrs Thatcher added: 'It is the Government's earnest wish that a return to good sense and the normal rules of international behaviour on the part of the Argentine Government will obviate the necessity for action across the full range of economic relations.'

In conclusion the Prime Minister said: 'The people of the Falkland Islands, like the people of the United Kingdom, are an island race. Their way of life is British, their allegiance is to the Crown. They are few in number, but they have the right to live in peace, to choose their own way of life and to determine their own allegiance. It is the wish of the British people and the duty of Her Majesty's Government to do everything that we can to uphold that right.'

Opposition Views

While severely criticising the Government's handling of the dispute, the Leader of the Opposition, Mr Michael Foot, supported the Government's determination to restore British administration to the Falkland Islands, whose people had been faced 'with an act of naked, unqualified aggression, carried out in the most shameful and disreputable circumstances'. Pointing out that there was no question in the Falkland Islands of any colonial dependence, Mr Foot said: 'It is a question of people who wish to be associated with [Britain] and who have built their whole lives on the basis of association with [it]. We have a moral duty, a political duty and every other kind of duty to ensure that that is sustained.' Moreover, Mr Foot added, any guarantees from the invading forces were useless, since it could hardly be forgotten that 'thousands of innocent people fighting for their political rights in Argentina [were] in prison and [had] been tortured and debased'. The Opposition were determined to ensure a full examination of the matter and to uphold Britain's claim to be a defender of people's freedom throughout the world, particularly of those like the Falkland Islanders looking to Britain for special protection.

After surveying recent events, Mr Foot said that the Falkland Islanders had been betrayed and that the responsibility for betrayal rested with the Government. It had now to prove by deeds – since they would never be able to do so by words – that they were not responsible and that they could not be faced with that charge. Mr Foot also pointed out that there was a longer-term interest to ensure that 'foul and brutal aggression' did not succeed: 'If it does, there will be a danger not merely to the Falkland Islands, but to people all over this dangerous planet.'

Speaking for the Social Democratic Party, Dr David Owen, a former Foreign and Commonwealth Secretary, said that the Government had the right 'to ask both sides of the House for the fullest support in their resolve to return the Falkland Islands and the freedom of the Islanders to British sovereignty'. Complaining about lack of preparation, he said that a naval force could have been used in support of recent negotiations with Argentina, as had been the case on a previous occasion in 1977. Looking to the future, Dr Owen believed that the Islands would be 'repossessed by a combination of firm diplomacy backed by the use of the Navy'.

The Opposition spokesman on defence, Mr John Silkin, said that the Islanders had the right to be free and to be defended, and supported the Government's view that all diplomatic measures necessary had to be taken in the United Nations Security Council. Nevertheless he expressed considerable concern at the Government's lack of preparation and its failure to read correctly signs from Argentina indicating that Government's intentions.

Foreign Secretary's Speech

Opening a second adjournment debate in the House of Commons on 7 April (*Hansard*, Vol 21, No 95, cols 959-1053), the new Secretary of State for Foreign and Commonwealth Affairs, Mr Francis Pym, reaffirmed Britain's objective of freeing the Falkland Islands from occupation and returning them to British administration[1] as swiftly and as peacefully as possible. The task force, he explained, was an essential part of the means for achieving this since it gave the Government the strength from which to urge a settlement. There would be time before it arrived in the South Atlantic to do everything possible to solve the problem without further fighting. Britain would much prefer a peaceful settlement and would do all it could to obtain one. No one should be in any doubt about this. 'But', Mr Pym continued, 'if our efforts fail, the Argentine regime will know what to expect: Britain does not appease dictators.'

The dispatch of the naval forces and the economic measures taken by Britain [these now included a ban on all imports from Argentina which was announced on 6 April[2]] should show Argentina that Britain meant business, Mr Pym stated. To convince it that aggression did not pay, however, Britain would need the support of the world community and all who believed in freedom. The whole world had an interest in Argentina fulfilling its legal obligations under the mandatory United Nations resolution (see below). There were many small territories which were vulnerable to aggression from more powerful neighbours. The preservation of peace depended on the exercise of responsibility and self-restraint. The Foreign Secretary continued: 'It depends on

[1]It is estimated that 20 to 25 per cent of Argentina's reserves are held in British banks or by way of stocks and securities held in Britain.

[2]At the time of the announcement Britain's Export Credit and Guarantee Department had firm commitments worth some £290 million with respect to Argentina, with further offers outstanding of £60 million and applications worth another substantial sum under consideration.

[1]Explaining the Government's use of the term 'British administration' instead of 'British sovereignty', the Secretary of State for Defence, Mr John Nott, told the House of Commons on 7 April: '[The] illegal occupation of the Falkland Islands and their Dependencies in no way affects the fact of British sovereignty over all these territories. Sovereignty cannot be taken away by force. It is the administration which has been usurped. It is the administration we shall be making every effort to restore.'

[2]British imports from Argentina were worth £114 million in 1980; exports to Argentina totalled £173 million.

the international community supporting the principle of self-determination and punishing those who wilfully and forcibly violate that principle .... If the world does not oblige Argentina to restore [the Falkland Islanders'] rights, tomorrow it will be someone else's turn to suffer aggression and occupation. The world will become an even more dangerous place.' With the support of the world community and of Britain's friends, Mr Pym added, the Government hoped to make it clear to Argentina that withdrawal from the Falkland Islands and a negotiated settlement constituted the only legal and acceptable approach in the dispute and the only one which was in Argentina's own interests.

Maritime Exclusion Zone

Speaking at the end of the debate, the Secretary of State for Defence, Mr John Nott, announced that from early in the morning of 12 April Britain would establish a maritime exclusion zone around the Falklands with the aim of denying the Argentine forces on the Islands the means of reinforcement and re-supply from the mainland. The outer limit of this zone is a circle of 200 nautical miles radius from the centre of the Islands (latitude 51° 40′ South, longitude 59° 30′ West). Any Argentine warships and naval auxiliaries found within the zone after it entered into force, Mr Nott stated, would be treated as hostile and would be liable to be attacked by British forces. This measure was without prejudice to Britain's right to take whatever additional measures which might be necessary in exercise of its right of self-defence under article 51 of the United Nations Charter.[1]

Naval Task Force

Speaking in the debate on 3 April, Mr Nott, said that he did not underestimate the formidable difficulties facing Britain with a crisis 8,000 miles away, but Britain had the ability to mount a major task force and to sustain it for a period at that distance. He hoped that, while there had been much criticism of the Government's handling of the crisis prior to Argentina's invasion, the British armed forces would have the House's full backing.

The composition of the task force, which entered the South Atlantic in the middle of April, was described to the House by Mr Nott on 7 April and Mrs Thatcher on 14 April. It comprises two aircraft carriers (HMS *Hermes* and HMS *Invincible*), five guided missile destroyers, seven frigates, an assault ship with five landing craft, together with supporting vessels. A strong force of Royal Marine commandos and a large number of Sea Harrier aircraft and anti-submarine and troop-carrying helicopters are also embarked. In addition, another assault ship is being equipped to join the force, a large cargo ship has been requisitioned to carry sufficient Sea Harriers to double the number available to the force, and other ships requisitioned include two cruise liners, one as a troop ship and the other as a hospital ship.

[1]This states: 'Nothing in the present Charter shall impair the inherent right of individual or collective self-defence if an armed attack occurs against a member of the United Nations, until the Security Council has taken measures necessary to maintain international peace and security.'

On 14 April, Mrs Thatcher said that the task force was proceeding with all speed to the South Atlantic and that its composition and the speed with which it had been assembled and put to sea clearly demonstrated the Government's determination. The ships and aircraft were carrying out exercises on passage and by the time the force arrived off the Falklands it would be at a very high state of fighting efficiency.

INTERNATIONAL REACTION

UN Security Council Debate

Early in April, realising that an invasion was imminent, Britain requested a second meeting of the Security Council. Describing the massive Argentine invasion of the Islands as a 'wanton act of armed force' and a 'blatant violation of the United Nations Charter and of international law', the British representative, Sir Anthony Parsons, told the Council on 2 April that it was 'an attempt to impose by force a foreign and unwanted control over 1,800 peaceful agricultural people who [had] chosen in free and fair elections to maintain their links with Britain and the British way of life'. Pointing out that the Council faced an emergency requiring immediate action, Sir Anthony read out a draft resolution demanding the immediate withdrawal of all Argentine forces from the Falkland Islands and cessation of hostilities, and calling upon Britain and Argentina to seek a diplomatic solution to their differences and to respect fully the purposes and principles of the Charter of the United Nations.

Speaking the next day, Argentina's Foreign Minister, Señor Nicanor Costa Mendez, said that Argentina's action had terminated a classic colonial problem. The recent tension over events in South Georgia was Britain's fault, since Britain had sent warships to intimidate Argentina and all South America. Argentina had been obliged to defend its rights. No provision of the United Nations Charter, he added, could legalise a situation which had originated in wrongful acts perpetrated before the Charter was adopted. Referring to the negotiations between the two countries in February (see p 105), Señor Costa Mendez said that Argentina had made it clear that, having negotiated patiently for 15 years, it retained its right to put an end to the usurpation of its territory if Britain failed to respond to its negotiating proposals. Britain's only response, he alleged, had been to dispatch HMS *Endurance* to the area.

In another statement to the Council on 3 April, Sir Anthony said that it was impossible to accept the suggestion that the origin of the present crisis was the incident in South Georgia. This was a relative triviality and merely a question of resolving what Britain considered to be the illegal presence of ten scrap dealers. Britain had had no intention of resolving the incident by the use of force. It would have been 'bizarre' for the Government to bring an incident of that dimension to the Security Council, and Britain had had no doubt that it could have resolved it peacefully with the Government of Argentina. This very small dispute could not 'conceivably justify the armed invasion of an inhabited group of islands located some 800

miles away from the point at which the ten scrap metal dealers were located'.

Sir Anthony also suggested that another argument used by the Argentine representative, that the principles in the United Nations Charter were not applicable to situations which existed before the adoption of the Charter, was an extremely dangerous doctrine. 'If the use of force is to be valid for situations which originated before the Charter was adopted', he pointed out, 'the world would be an even more dangerous and flammable place than it already is.'

Noting that the Argentine representative had argued that the people of the Falklands were not a population in international law, Sir Anthony said that they were not recent arrivals in the Islands. 'The vast majority of them were born there, to families which have been there since the first half of the nineteenth century. In the judgment of my Government, whether they are 1,800 or 18,000 or 18 million, they are still entitled to the protection of international law and they are entitled to have their freely expressed wishes respected. These have been the only objectives of my Government in that area for a very long time. I cannot believe that the international community takes the view that Britain in the 1980s has a 'colonialist' or 'imperialist' ambition in the South Atlantic. The proposition is self-evidently ludicrous. We threaten nobody. We have merely concerned ourselves with the protection of the interest and respect for the wishes of the small population of the Islands.' Moreover, Britain had been accepted by the United Nations as the administering power of the Falkland Islands.

Security Council Resolution

The Security Council adopted the following resolution:

The Security Council,

recalling the statement made by the President of the Security Council . . . on 1 April 1982 calling on the Governments of Argentina and the United Kingdom . . . to refrain from the use or threat of force in the region of the Falkland Islands (Islas Malvinas):

deeply disturbed at reports of an invasion on 2 April 1982 by armed forces of Argentina:

determining that there exists a breach of the peace in the region of the Falkland Islands (Islas Malvinas):

1 demands an immediate cessation of hostilities:

2 demands an immediate withdrawal of all Argentine forces from the Falkland Islands (Islas Malvinas):

3 calls on the Governments of Argentina and the United Kingdom to seek a diplomatic solution to their differences and to respect fully the purposes and principles of the Charter of the United Nations.'

Adopted under Chapter 7 of the United Nations Charter, the resolution is mandatory. The vote was 10 in favour and 1 against with 4 abstentions. (Britain received the support of the United States, France, the Irish Republic, Japan, Zaïre, Togo, Uganda, Guyana and Jordan. The Soviet Union, the People's Republic of China, Poland and Spain abstained, and Panama voted against.) Argentina's immediate response was to say that it would not comply with the resolution.

Other Reaction

Statements condemning Argentine action, many of them explicitly calling for the withdrawal of Argentine forces from the Falkland Islands, have been issued by the ten member states of the European Community collectively, most Community governments individually and the European Commission; some other European countries such as Norway, Portugal and Sweden; the North Atlantic Council of the North Atlantic Treaty Organisation (NATO), the United States and Britain's other major NATO allies; and the majority of Commonwealth countries. The last includes Antigua and Barbuda, Australia, Barbados, Belize, Botswana, Canada, Dominica, Fiji, Guyana, Jamaica, Kenya, Malawi, Mauritius, New Zealand, Papua New Guinea, St Lucia, St Vincent and the Grenadines, Singapore, Solomon Islands, Sri Lanka, Tonga, Tuvalu, Vanuatu and Zambia. Many of these have also professed support for the principle of self-determination by the Islanders. On 6 April, speaking in Port of Spain, Trinidad and Tobago, the Secretary-General of the Commonwealth, Mr Shridath Ramphal, condemned the invasion as 'gross, unprovoked and utterly unwarranted' and called for Argentina's withdrawal in accordance with the Security Council's resolution. What was really at stake, he emphasised, was 'the seizure of territory by force, the attempt to change long-established boundaries otherwise than by peaceful means and the repudiation of the principle of self-determination'. Earlier, on the day of the invasion, Mr Ramphal had issued a call for the Commonwealth to stand by Britain 'on grounds of honour, principle and worldwide security'.

A number of other countries, including Sweden, Turkey, Bahrain, Nigeria, Syria and Pakistan, have expressed support for the United Nations resolution, as has the Committee of Ministers of the Council of Europe in a declaration issued on 7 April.

In addition to condemning the invasion, some countries have taken diplomatic or economic action against Argentina, most significantly Britain's partners in the European Community. On 9 April the Community imposed an embargo on the sale of arms to Argentina (some members – Belgium, the Federal Republic of Germany, France and the Netherlands – had already done so individually), and on the following day agreed to an embargo on imports from Argentina. This came into effect on 16 April for an initial period (renewable) of one month. (In 1981 about one-quarter of Argentina's exports went to Community countries.) The United States, Canada, Austria and Switzerland have also undertaken not to supply arms to Argentina, as have Australia, New Zealand and Canada. The last three, in addition, have banned all Argentine imports and decided to stop export credits. New Zealand has broken off diplomatic relations with Argentina while Australia,

Canada and Belgium have recalled, or are recalling, their ambassadors.

While most Latin American countries support Argentina's position on sovereignty, none have endorsed the use of force. Mexico and Ecuador have condemned the use of force to resolve international conflicts, while Brazil and Colombia have appealed to both sides to seek a peaceful solution and each has offered mediation. (The latter suggested mediation through the Organisation of American States which on 13 April adopted a resolution offering its 'friendly co-operation' in the peace efforts already under way (see below).

PEACE EFFORTS

On 8 April the US Secretary of State, Mr Alexander Haig, arrived in London at the beginning of a diplomatic effort to bring about a negotiated settlement to the dispute. After talks with Mrs Thatcher and Mr Pym, Mr Haig left London on 9 April and on the following day arrived in Buenos Aires for talks with General Galtieri and Argentina's Foreign Minister, Señor Costa Mendez. Mr Haig then returned to London on 12 April for further talks with Mrs Thatcher and other British ministers. The next day, after difficulties in the talks had resulted in the postponement of a second visit to Buenos Aires, Mr Haig left London for Washington to report on his negotiations to President Reagan. After his meeting with the President on 14 April, Mr Haig described the dispute as 'exceptionally difficult and exceptionally dangerous'. A peaceful solution, he added, would require flexibility on both sides – 'not abandonment of principles, but responsible and defensible adjustments'. At the same time, Mr Haig announced that he would be leaving for Buenos Aires on the following day for further talks with Argentine leaders.

British Government's Position

Mrs Thatcher reported on the Government's discussions with Mr Haig when opening the House of Commons' third debate on the Falkland Islands crisis on 14 April (*Hansard*, Vol 21, No 97, cols 1146-208). While seeking a peaceful solution by diplomatic means, Mrs Thatcher said, the Government had made clear to Mr Haig 'that withdrawal of the invaders' troops must come first; that the sovereignty of the Islands is not affected by the act of invasion; and that when it came to future negotiations what matters most is what the Falkland Islanders themselves wish'. Though there had been some progress, the Prime Minister continued, the discussions were complex, changing and difficult, the more so because they were taking place between a military junta and a democratic government of a free people – 'one which is not prepared to compromise that democracy and that liberty which the British Falkland Islanders regard as their birthright'.

Diplomatic efforts were only one aspect of Britain's strategy, however, and these, Mrs Thatcher explained, were most likely to be successful if backed by military strength. The maritime exclusion zone was the first step towards achieving the withdrawal of Argentine forces, and it appeared to have resulted in the Argentine navy being concentrated outside the zone. However, she continued: 'If the zone is challenged, we shall take that as the clearest evidence that the search for a peaceful solution has been abandoned. We shall then take the necessary action. Let no-one doubt that.' Britain remained ready to exercise its right under the United Nations Charter to resort to force in self-defence until the occupying forces had left the Islands. The naval task force, she told the House, was proceeding with all speed to the South Atlantic and Britain had the resolve to use its military strength if necessary.

Repeating that any solution should safeguard the principle that the wishes of the Islanders should remain paramount, Mrs Thatcher went on: 'There is no reason to believe that they would prefer any alternative to the resumption of the administration which they enjoyed before Argentina committed aggression. It may be that their recent experiences will have caused their views on the future to change, but until they have had the chance freely to express their views, the British Government will not assume that the Islanders' wishes are different from what they were before.'

Opposition Views

The Leader of the Opposition, Mr Michael Foot, said that a peaceful settlement was the overwhelming desire of the British people, and he hoped that no avenue leading to such a solution would be overlooked. He supported the dispatch of the task force, however, since it could bring strong diplomatic results. 'If there were no task force', Mr Foot continued, 'I do not believe that there would have been any prospects of negotiations with the junta in Argentina.' There had to be a combination of pressures – diplomatic, military, economic – and all of these were a part of the means whereby a peaceful settlement could be secured. Mr Foot was also concerned at the threat Argentina's action posed to the United Nations Charter and the influence it had throughout the world. He hoped that the crisis would be resolved in a way which would provide 'a fresh vindication of the United Nations Charter and a fresh vindication of the idea that no nation should resort to force or seek to establish its way through aggression against other nations'.

Dr David Owen, the Social Democratic spokesman on foreign affairs, believed that two messages should go out from the House – a reaffirmation that Britain was resolute in its resistance to any form of armed aggression, and that it was persistent and steady in its pursuit of peace. The Government was right to deploy naval forces since there should be no weakening of Britain's negotiating position by casting doubt as to the length of time or as to its intention to see the issue through. For the Liberals, Mr Russell Johnston said that the principle of self-determination had to be upheld, and the trust of the Falkland Islanders could not be betrayed by Britain.

BACKGROUND

Situated in the South Atlantic about 772 km (480 miles) north-east of Cape Horn, the Falkland Islands have been continuously, peacefully and effectively occupied by Britain since 1833. They consist of about 200 islands, their total area being about 12,170 sq km (4,700 sq miles). The population of 1,800 is of almost entirely British origin, five-sixths being born in the Islands and most of the remainder in Britain. The Islanders are united in their desire to remain British despite the Argentine claim to sovereignty.

The first known landing in the Falkland Islands was in 1690 by Captain John Strong who named them after Viscount Falkland, then the Treasurer of the Navy. In 1764 a small French colony was established in East Falkland, which was handed over to Spain three years later on payment of a sum of money. Meanwhile a British captain, John Byron, made a comprehensive survey of West Falkland in 1765 and a year later a British settlement of about 100 people was established there at Port Egmont. In 1770 a Spanish force compelled the settlers to leave, but following protracted negotiations, the Spaniards handed back Port Egmont to Britain which re-established the settlement. Although withdrawn in 1774 on grounds of economy, the British claim to sovereignty was maintained and, as was then customary, a leaden plaque left, declaring the Falkland Islands to be 'sole right and property' of King George III. The Spanish settlement on East Falkland was withdrawn in 1811.

In 1820 the Buenos Aires Government, which had formally declared its independence of Spain in 1816, sent a ship to the Falklands to proclaim its sovereignty and a settlement was established at Puerto de la Soledad in 1826 under the leadership of Louis Vernet whom the Buenos Aires Government appointed Governor, despite British protests. Five years later, however, a United States warship, the *Lexington*, destroyed the fort at Soledad as a reprisal for the arrest of three American vessels by Vernet who was attempting to establish control over sealing in the Islands. The commander of the *Lexington* declared the Falklands free of all government and they remained without visible authority until January 1833 when the British occupation of the Islands was resumed.

The Islands' position as a non-self-governing territory has been debated by the United Nations. The Islanders' elected representatives have explained the population's wish to retain its association with Britain and not to become independent or associated with any other country. Britain has pointed out that in these circumstances the Argentine claim is contrary to the principle of self-determination.

In 1965 the United Nations General Assembly approved a resolution inviting Britain and Argentina to hold discussions with a view to finding a peaceful solution to the problem, bearing in mind the interests of the Islanders. Subsequent discussions were pursued between the two Governments through diplomatic channels. In 1969 Argentina offered to discuss a lifting of the ban on direct communications between the mainland and the Islands, and in 1970 special talks opened in London between Argentine and British delegations, the latter including participants from the Islands. Following further talks in Buenos Aires in 1971, agreements were reached covering air and sea communications, postal services, educational and medical facilities for Falkland Islanders in Buenos Aires, and customs measures.

In 1974 Britain and Argentina signed two further agreements relating to the Islands; one to facilitate trade and the carriage of goods between the Islands and the mainland, and the other to allow the Argentine state petroleum company to supply the Islands with petroleum products.

The findings of an economic survey of the Islands conducted in 1976 by Lord Shackleton underlined the need for closer co-operation with Argentina. In 1977 the British Government concluded that the time had come to consider whether a new framework of economic and political co-operation with Argentina should be established. After detailed consultation with the Islanders and with Argentina, terms of reference were agreed for British-Argentine negotiations on political relations, including sovereignty, and on economic co-operation in the Falkland Islands, their Dependencies and the south-west Atlantic in general. Parallel working groups were subsequently established to study these two themes in depth, but no progress was made.

A round of wide-ranging but exploratory talks was held with Argentina in April 1980. In February 1981 further talks took place in New York between Britain and Argentina, the British delegation including two representatives from the Islanders. Argentina rejected Britain's proposal for a 'freeze' on the dispute for an agreed period of time during which both sides could co-operate to develop the Islands' resources (see pp 203-4, 1981). The most recent talks took place in New York in February 1982 (see p 105).

The Dependencies

The Falkland Islands have as Dependencies South Georgia, the South Sandwich Islands, the Shag Rocks and Clerke Rocks. South Georgia lies 1,290 km (800 miles) east-south-east of the Falklands, and the South Sandwich Islands some 760 km (470 miles) south-east of South Georgia. South Georgia was sighted at least twice between 1675 and 1756, but the first landing was that of Captain James Cook in 1775. The South Sandwich Islands were discovered during the same voyage.

Argentina's claims to the Dependencies have at different times been based on proximity to Argentina and alleged inheritance of title from Spain. Argentina first claimed South Georgia in 1927 and the South Sandwich Islands in 1948. Britain rejects these claims as being without legal or historical foundation. In 1947, and subsequently, Britain offered to submit the dispute on the Dependencies to the International Court of Justice, and in 1955 the British Government applied unilaterally to the Court for redress against encroachments on British sovereignty in the Dependencies by Argentina and also by Chile.

Both countries, however, declined to submit to the Court's jurisdiction in this matter.

[For further background information see COI reference paper *The Falkland Islands and Dependencies*, No 152/82.]

European Council

The economic and social situation within the European Community and in the world at large and a number of international political issues, including East-West relations, Afghanistan, the Middle East and Central America, were among the subjects discussed by the European Council meeting in Brussels on 29 and 30 March.

Prime Minister's Statement

Reporting the Council's deliberations to the House of Commons on 31 March (see *Hansard*, Vol 21, No 69, cols 305-18), the Prime Minister, Mrs Margaret Thatcher, said that the member states had agreed that they all had the same interest in combating unemployment and restoring economic growth while preserving monetary stability and ensuring the competitiveness of their economies. Concern had been expressed at the level of productive investment in the Community, especially in the industries of the future, and participants had agreed to take whatever steps possible to raise that level while recognising that an increase in investment would mean a reduction in consumption. Similarly, with regard to youth unemployment, they had agreed that each member state should strive to ensure over the next five years that all young people entering the labour market for the first time would receive vocational training or initial work experience. In addition, the Council had discussed the role that the Community could play in the development of information technology and the vital contribution that small businesses could make to the provision of new jobs. During the discussions, Mrs Thatcher continued, she had laid particular stress on the need to complete the Common Market in the services sector. In the view of the British Government there had been disappointingly little headway with the liberalisation of such services as insurance and air transport (see pp 328-9, 1981).

Commenting on the forthcoming Versailles economic summit in June, the Prime Minister said that member states were agreed that their aim should be to encourage increased co-operation between the major industrial countries. In particular, they were agreed that the persistence of high real interest rates in the international markets, combined with inadequate economic activity, was leading to a significant reduction in productive investment and made unemployment worse because of the squeeze on company liquidity and profits. The Council has also urged Japan to open its market so as to integrate it more fully into international trade; and to follow an economic, commercial, monetary and exchange rate policy which would be more compatible with the balance of responsibilities to be borne by the whole of the industrialised world and thereby to contribute to economic recovery.

With regard to the Community budget, Mrs Thatcher said that she had emphasised the need for a solution to Britain's budget problem which gave a fair scale of compensation 'sufficiently flexible to take account of either an improvement or a deterioration in the underlying situation and which would last for a substantial period'. Britain and most other member states had been prepared to accept as a basis for negotiation proposals put forward by the President of the Council of Ministers, Belgium's Foreign Minister, M Tindemans, and by the President of the European Commission, M Gaston Thorn, but the President of France, M François Mitterand, had not been disposed to do so. Community foreign ministers had therefore been asked to consider the question further and to secure early decisions. Answering questions, Mrs Thatcher reported that she had stressed the need for a full and satisfactory solution regarding the linked questions of the budget, the Common Agricultural Policy and the Community's industrial and social affairs policies, and that Britain was prepared to make a modest net contribution to the budget. It also wanted a five-year agreement with a review at the end of it.

Presidency Conclusions

At the end of the Council's meeting, the President of the Council issued a statement of his conclusions on the Community's economic and social situation and agreed texts on a number of political co-operation issues. These are summarised below.

Economic and Social Issues

Reviewing the effect on Community members of the 'major structural crisis' of the world economy, the Council noted signs of a short-term improvement in the situation in 1982. A slight recovery, however, would be insufficient to arrest the growth of unemployment – 'the high level of which, more particularly among the young, was creating an intolerable situation' – or to 'resolve the Community's fundamental structural problems, in particular an excessively high average rate of inflation, insufficient productive investment and a degree of energy dependence which was still too great'.

Against this background, the Council emphasised the need for a co-ordinated policy to promote investment and to combat unemployment, this to be accompanied by intensified efforts to control production costs. In particular, it agreed that each member state should increase the level of productive investment in relation to its gross domestic product; confirmed the importance it attributed to lowering interest rates and the strengthening of Community lending instruments for the benefit of investment; and stressed the importance of developing the Community's internal market since its continental dimension made it possible to develop Community-wide industrial

strategies and technology and innovation policies. In connection with the last point, the Council felt the services sector to be of particular importance and that industrial, energy, research and agricultural policies were amongst those where the Community dimension could make the greatest contribution. Turning to unemployment, the Council recognised that 'quick-action' measures were necessary as well as efforts to increase productive investment and to improve industrial efficiency, particularly with respect to vocational training of young people. It therefore adopted the five-year programme outlined above (see p 112) and agreed that a special meeting of the Council would be arranged to study the employment promotion measures taken by member states.

On international economic problems, the Council said that it looked to the Versailles economic summit in June to bring about increased co-operation between the major industrial partners, this to be aimed particularly at encouraging a reduction in interest rates, making exchange rates less volatile and strengthening North-South relations. This co-operation had to be based on a joint definition of the obligations incumbent upon each party, and the Community was ready to contribute to such co-operation. In this context, the Council also noted that the strengthening of European unity by greater convergence of economic policies within the Community and better co-ordination of economic recovery measures would be likely to strengthen the Community's international role. With respect to the North-South dialogue, which it wished to see resumed without delay, the Council pointed out that the countries of Eastern Europe also had a responsibility to assist the developing countries.

East-West Relations

Noting that the situation in Poland (see pp 67-70) continued to place a strain on East-West relations and thus to affect the relations of Community members with Poland and with the Soviet Union, which bore a clear responsibility for this situation,[1] the Council renewed its call to the Polish authorities to act with the minimum delay to end the state of martial law, release those arrested and resume a genuine dialogue with the Church and Solidarity. The Council also noted Polish statements regarding the possibility of the departure of detainees from Poland and rejected any attempt to place pressure on those concerned, saying that this would be interpreted as a further deterioration of the situation in that country and a grave breach of fundamental human rights.

After reviewing economic relations between Community members and East European countries, the Council recognised the role that economic and commercial co-operation had played in the stabilisation and development of East-West relations and hoped that it would continue on the basis of genuine mutual interest. They agreed that the conduct of these relations, including the important and related question of credit policy, should be the subject of careful study by the Community and member states in close consultation with other members of the Organisation for Economic Co-operation and Development.[1]

The Council regretted that developments in Poland and other violations of the principles laid down in 1975 by the Conference on Security and Co-operation in Europe (CSCE) had put the entire CSCE process at risk, but reaffirmed its full commitment to the process. Its objective remained the adoption by the Madrid follow-up meeting of a substantial and balanced final document (see pp 351-5, 1980). It hoped that, when the Madrid meeting resumed in November, the prevailing circumstances would be more conducive to the achievement of a positive outcome.

Afghanistan

Turning to the 'tragic situation' in Afghanistan, the Council commented that the Soviet occupying forces had recently been strengthened, that repression of the civilian population continued without respite, and that every day added to the total of refugees, these now numbering some 3 million or one in five of the population. In its view, it was more necessary than ever to hasten the search for a political solution based on the complete withdrawal of Soviet troops and respect for the independence, sovereignty and non-alignment of Afghanistan. Accordingly, the Council reaffirmed the position adopted at its Luxembourg meetings in 1981 (see pp 201-2, 1981) and the desire of member states to contribute as much as possible to an acceptable settlement. The Council also denounced the Soviet Union's successive rejections of settlement proposals advanced by the Community, the non-aligned movement, the Islamic Conference and the United Nations. It welcomed the recent nomination by the UN Secretary-General of a personal representative to assist in the search for a solution to the Afghanistan problem.

Middle East

Discussing developments in the Middle East, the Council expressed deep concern at the grave events taking place in the occupied West Bank and appealed urgently for an end to the dangerous cycle of violence and repression. In particular, it denounced measures imposed on the Palestinian populations by the Israeli authorities, such as the dismissal of democratically elected mayors,[2] as well as the violations of the liberties and rights of the inhabitants which followed Israel's purported 'annexation' of the Golan Heights (see pp 12-13). Such measures could only damage the prospects for peace. As for the continuing clashes in Lebanon, the Council urged all participants to renounce the use of force and to assure conditions for the respect of the full sovereignty and territorial integrity of the country. Reaffirming the wishes of Community members to contribute to the achievement of a just and lasting peace in the Middle

[1]The Greek delegation reserved its position regarding the section referring to Soviet responsibility.

[1]The Greek delegation reserved its position on the section dealing with the further study of East-West economic and commercial relations.

[2]Following disturbances on the West Bank the Israeli authorities dismissed the mayors of three West Bank towns in late March. Britain has deplored the dismissals and appealed for an end to violence in the area since this could only harm the prospects of a settlement.

East, the Council considered that the participation of four Community members in the multinational force and observers in Sinai represented a positive contribution in the context of the completion, on 25 April, of Israel's withdrawal from the Sinai (see pp 361-6, 1981).

Central America

Expressing serious concern at the continued growth of tensions in Central America (see pp 70-72), the Council welcomed with interest any initiative likely to put an end to violence and lead, through dialogue and respect for democratic norms and for human rights, to the restoration of peace in the region, while safeguarding national sovereignty and the wishes of the people. Noting that the tensions and conflicts frequently stemmed from the grave economic problems and social inequalities which had been aggravated by world economic conditions to the detriment of the poorest countries, the Council said that the international community could not remain indifferent to these evils. It welcomed, therefore, the efforts being made to remedy them (see footnote, p 71), and would contribute to this in accordance with the principles set out above. It also agreed that aid to the region by the Community and its member states, which had been substantial in the past, should be co-ordinated and increased as far as possible.

Turkey

During the meeting, the President of the Council of Ministers, M Leo Tindemans, reported to the Council on a visit to Turkey. The Council noted that M Tindemans had impressed upon the Turkish Government the serious concern of the Community with regard to human rights in Turkey and emphasised the need for Turkey to return as soon as possible to a democratic regime, this presupposing in particular the release of those arrested for their views or for trade union activities and the ending of martial law. In reply, the Turkish authorities had assured M Tindemans of Turkey's intention to return to democracy within two years at the most, with a referendum on a democratic constitution to take place in November 1982 and general elections in autumn 1983 or, at the latest, in spring 1984.

VISIT OF PRIME MINISTER OF INDIA

The Prime Minister of India, Mrs Indira Gandhi, visited Britain from 21 to 26 March at the invitation of the Prime Minister, Mrs Margaret Thatcher. During her visit Mrs Gandhi had talks with government ministers, had lunch with the Queen, met representatives of the Indian community in Britain and was present, with Mrs Thatcher, at the inaugural concert of the Festival of India of which the two prime ministers are joint patrons. The concert, which took place at the Royal Festival Hall on 22 March, was also attended by the Prince of Wales. On 23 March Mrs Gandhi opened a major exhibition at the Hayward Gallery entitled 'The Image of Man' which contains some 500 works of Indian art spanning 2,000 years. The following day she was present at the Science Museum when Mrs Thatcher opened the 'Science in India' exhibition which illustrates aspects of science, technology and medicine from early times to the present day. Mrs Thatcher said that science was one of the many fields in which Britain and India were collaborating; by working together in such diverse subjects as aviation, heat energy recycling, immunology and naval architecture, scientists and centres of learning in both countries benefited.

The Festival of India, which will continue until November, includes performances of music, films, drama and dance, and important exhibitions of art and scientific achievement. Almost every museum and gallery in London is contributing and events have been arranged in other parts of Britain. Indians resident in Britain are presenting a variety of activities throughout the Festival and British stores are arranging special promotions.

ECONOMIC AND SCIENTIFIC AFFAIRS

The Budget 1982-83

Tax reliefs, the promotion of a wider ownership of wealth and the encouragement of the productive private sector were the aims of the Budget presented by the Chancellor of the Exchequer, Sir Geoffrey Howe, on 9 March. Industry is to be helped by a number of measures including a reduction in the National Insurance surcharge. The Chancellor described the substantial progress made over the last three years in tackling Britain's long-term problems. The recovery the Government foresaw, and had worked for, was now taking place.

INTRODUCTION

Sir Geoffrey introduced the Budget (*Hansard*, Vol 19, No 73, cols 726-57) as one for industry – and also for jobs – as well as for people. It would 'strengthen the foundations of economic recovery'. He was proposing substantial reductions in taxation while at the same time planning a lower government borrowing requirement.

To set his proposals in context, the Chancellor outlined how Britain's share of world trade had declined and living standards fallen behind those in several other European countries: people had been earning too much while producing and selling too little. The present Government had made it clear at the time of the 1979 election that reversing this economic decline would require a major effort which would need to be sustained over the lifetime of more than one Parliament. Although the whole world had been affected by the inflation and recession induced by the huge increase in the price of oil in 1979 (see footnote p 198, 1979), Britain had suffered more than many countries because of its soaring pay and public spending in the late 1970s.

Referring to the high levels of interest rates in the United States, Sir Geoffrey told the House that Britain could insulate itself from their effects neither by participation in the exchange rate mechanism of the European Monetary System (see pp 415-18, 1978) nor by concerted intervention in the foreign exchange markets. There was, therefore, 'all the more reason for the closest possible understanding between those responsible for managing the major economies for . . . their policies can all have a direct, and often speedy, impact upon each other'.

Britain could not expect to exert any influence at all if its own policies failed to command respect abroad. However, substantial progress in tackling the country's long-term problems had been made in the last three years. Public borrowing had fallen as a proportion of gross domestic product (GDP), enabling interest rates to be lower than they would otherwise have been; output had begun to rise again and was expected to grow by 1·5 per cent in 1982 and by more in 1983; the rate of inflation had been halved since the spring of 1980 and was still falling; productivity had been rising sharply, with output per person in manufacturing increasing by about 10 per cent in 1981; unit labour costs had risen hardly at all in 1981 because of low pay increases and a fast rate of productivity growth; and export volume and value at the end of 1981 were well up on a year previously. 'This gives the lie to all those who argued, not least at the time of last year's Budget, that our policies were foredoomed, because the recovery that we foresaw, and worked for, is now taking place. My aim in this Budget is to nurture and help sustain that recovery.'

JOBS AND PAY

Having millions of people without work, the Chancellor went on, was 'a tragic loss to any community' and a cause of deep concern. There was no easy solution, however; increased public spending did not create lasting jobs but, in the long run, helped to destroy them.

The Government was planning to spend nearly £1,500 million in 1982-83 on special employment and training measures (see p 125). It also planned to spend £1,000 million on the new Youth Training Scheme 'a major advance for school leavers who cannot find jobs', in its first full year, 1984-85 (see p 23). A number of these measures were intended to increase flexibility in the labour market by helping to make wage levels more responsive to economic reality, thus leading to the creation of lasting jobs. One proposal would give the long-term unemployed the chance to work for the benefit of their community while receiving the rough equivalent of their benefit plus an addition for expenses. Participation would be voluntary and those who took part would remain free to accept a regular job if the opportunity arose. The Manpower Services Commission was being given the urgent task of devising a flexible scheme along these lines so that the Government

could make firm decisions by early summer on a new initiative for the Commission to run alongside the existing Community Enterprise Programme (see p 366, 1980). For purposes of illustration, net expenditure of some £150 million a year, excluding the costs of supervision, should be able to support about 100,000 places – 'excellent value for the taxpayers' money'. The Government would be ready to support this kind of development on a larger scale if the demand were there.

MONETARY POLICY

The Chancellor told the House that the need to control the money supply had been accepted world-wide ever since the collapse in 1971 of the fixed exchange-rate system. In Britain published targets for monetary growth had been initiated in 1976 (see p 25, 1977). The medium-term financial strategy which the Government had launched two years ago (see p 113, 1980) was an extension of this. The strategy had helped Britain to reduce inflation and would continue to do so, and there was 'a real prospect of sustainable recovery'. It was clearly right to maintain the strategy although it needed to be adjusted in the light of experience. The Government's policy was based on the view, emphasised in the 1981 Budget, that no single measure of money could fully describe monetary conditions (see p 96, 1981). The overall effect of policy in 1981-82 had been to maintain downward pressure on the rate of inflation. Sterling M3 (money in circulation and the sterling bank deposits of British residents) had grown above the target rate set a year ago (see pp 95-6, 1981). This was due partly to the Civil Service dispute and partly to structural changes in the market place, such as the rising share of business of the banks, which could have long-term effects. In addition, the growth of the wider measures of money probably reflected increased demand for liquid assets as a medium for saving, which could also last for some time. 'So, though the stock of broad money is higher than originally expected, our judgment is that this is consistent with maintaining the steady pressure needed to achieve a downward trend in inflation.'

The evidence as a whole did not suggest lax monetary conditions. As in many countries, the narrow measures had grown more slowly than the wider ones; the effective exchange rate for sterling had been relatively steady since the autumn; interest rates, both nominal and real, had been high; and the price of some important assets, such as houses, had been constant or falling. He had taken account of these factors in setting somewhat higher ranges for the growth of sterling M3 than those suggested in the 1981 Budget. The target rate of increase for 1982-83 would be 8-12 per cent. This adjustment did 'not imply any relaxation of purpose. On the contrary, it is a recognition of the pace of progress thus far and, in the light of that, our judgment that the new ranges will be consistent with continued progress against inflation.' The new target should be consistent with annual growth in nominal terms of gross domestic product of 10 per cent.

The Government would continue to monitor a range of indicators, the target rate of increase applying to M1 (money in circulation and the most liquid private sterling deposits) and PSL2 (a broad indicator of liquidity in the private sector including most forms of savings deposits) as well as to sterling M3. Although the Government had no target for the exchange rate, this normally gave useful information on monetary conditions and so its behaviour could not be ignored. 'Evidence on all these variables will continue to be taken into account. Policy decisions will be aimed at maintaining a monetary environment conducive to the reduction of inflation.' Targets for rates of monetary growth for the years up to 1984-85 are given in Table 1.

Table 1

Planned Ranges for Monetary Growth

	1982-83	1983-84	1984-85
Percentage change during year	8-12	7-11	6-10

Monetary Control and Debt Sales

The Chancellor outlined the changes made over the past year in the techniques of monetary control. Minimum lending rate had ceased to be posted from August 1981 (see pp 230-1, 1981), the main purpose having been to increase the influence of market forces on the structure of interest rates and to allow rates to be adjusted more promptly in response to changing economic conditions. The new arrangements had coped successfully with some severe swings in markets both at home and overseas.

The Government had also been working to even out the flow of revenue over the year in order to ease the problems for money market operations and monetary control in general. Three examples were: agreement between the Customs and Excise and companies to secure a more even flow of receipts from value added tax (VAT); attempts to smooth the payment of the building societies' composite rate of tax; and, most important, proposals to spread the payment of petroleum revenue tax (PRT) more evenly (see p 118).

A central element in the Government's financial policy was that the gap between public sector spending and revenue should be financed in a way consistent with the monetary target. The Government had therefore greatly improved the balance of its funding. In 1979-80, when the public sector borrowing requirement (PSBR) was similar to that in 1981-82, sales of government stock were more than eight times the contribution from national savings. In 1981-82, however, the ratio was only about two to one. National savings had exceeded their target, which had been raised to £3,500 million in the autumn of 1981. Interest rates had fallen since the introduction of the current National Savings Certificate which would be withdrawn and replaced as soon as possible by a new certificate with a lower but still competitive rate of return.

New sales of government stock to the public in the past year had not needed to be more than about £7,500 million, with a reduced emphasis on conventional long-dated stocks carrying a high rate of interest. In the 1981 Budget the Chancellor had announced the introduction of an indexed stock which could be bought by pension funds and certain other institutions in respect of their pension business in Britain (see p 97, 1981), and sales had amounted to some £2,500 million over the past year. The Government had now decided to remove the restriction on the right to buy and the Bank of England was offering a new indexed issue on an unrestricted basis, while the restrictions on the existing stock would also be removed.

In 1982-83 indexed stock, conventional stock and national savings would all contribute towards the Government's policy of diversified funding. The target for national savings would be £3,000 million, a little below the 1981-82 figure.

PUBLIC SECTOR BORROWING

Sir Geoffrey explained that excessive demands by government on the funds available would put upward pressure on interest rates; a responsible fiscal policy was essential for both growth and employment.

The PSBR for 1981-82 had been set at £10,500 million, which was likely to be realised.[1] The Chancellor rejected the argument that fiscal policy had been excessively tight if the effects of the recession were allowed for.

Although international movements in interest rates affected the price of funds in Britain, this in no way diminished 'the responsibility upon us to choose policies likely to hold our interest rates in the lower part of the international range.' It was because of the firm line taken in the last Budget that Britain's interest rates, even after the increase last autumn, had not reached the levels experienced in a number of competing countries.

Lower oil prices were welcome as they reduced industrial costs and inflationary expectations, made for faster growth and increased disposable incomes. 'But that is not the whole story. When the price of oil drops, our tax take from the North Sea production is correspondingly reduced. Other things being equal, this would increase the borrowing requirement, though not by as much, since the beneficial effects of the oil price cut boost our revenues from other forms of activity.' The prospect was uncertain but Sir Geoffrey assured the House that, in determining the PSBR for 1982-83, he had made allowance for these factors.

The projections in the 1981 Budget had envisaged a PSBR for 1982-83 equivalent to 3·25 per cent of GDP, about £9,000 million at current prices. In the light of the latest assessment of prospects, the Chancellor was providing for a PSBR of some £9,500 million in 1982-83, equivalent to 3·5 per cent of GDP. This was about £1,000 million below the expected outturn in 1981-82 but about £1,300 million above what it would have been if the changes in income tax and specific duties which he was about to propose were to take account only of the previous year's inflation. The figure of £1,300 million was the cost in 1982-83 of the Budget proposals; the cost in a full year would be over £3,000 million. The projections for revenue and borrowing published in the *Financial Statement and Budget Report 1982-83* (for publication details see p 143) envisaged a further fall in the PSBR over the period 1983-85 to 2 per cent of GDP. The decline from year to year in government borrowing in real terms would 'further ease the pressures it imposes on financial markets, and it will assist progress towards lower interest rates and lower inflation'.

[1]Subsequent figures on central government borrowing, however, suggest that the PSBR might have fallen some way short of this.

PUBLIC EXPENDITURE

Sir Geoffrey went on to discuss the annual public expenditure White Paper (see pp 123-8). He was confident that the switch from volume to cash planning would help to keep expenditure under control, and he outlined his plans for spending on social security, the Civil Service and nationalised industries.

Social Security and Charities

By far the largest element in public expenditure was spending on social security, which would amount to £32,000 million in 1982-83, over one-quarter of the total. Although the Government was committed to protect fully only the retirement pension and associated benefits against the effects of inflation, it had decided for 1982-83 to restore also the real value of the unemployment, supplementary, sickness and injury benefits and the maternity allowance. (See pp 136-9 for full details of the proposed changes in the social security programme.)

Although the Government was 'deeply conscious of the contribution to our national life that is made by many of our charitable organisations', it felt that there would be insuperable problems in granting them relief from VAT on their purchases (although the existing relief for the disabled and the charities serving them would be extended). However, the Chancellor was now proposing three other forms of help. First, the threshold for liability to capital transfer tax (CTT) in the case of gifts made to charities within a year of the donor's death was to be raised from £200,000 to £250,000. Secondly, stamp duty on transfers of assets to charities was to be abolished. Thirdly, disposals by charities of property which had been subject to rollover relief were to be removed from liability to development land tax.

Civil Service

In 1981-82 the Government's running costs amounted to over £12,000 million out of total spending of £105,000 million. 'The importance of keeping tight control of these costs is, therefore, manifest.' While the Government had made substantial cuts in the size of the Civil Service (see p 127), there was still scope for further progress in reducing local authority manpower; since 1979 this had fallen by only 3 per cent, less than half as much as in the Civil Service. Efficient cost

control applied to pay as well as staff and later in 1982 the Government would be considering the recommendations of the committee of inquiry into Civil Service pay headed by Sir John Megaw.

Nationalised Industries

Every 1 per cent that the nationalised industries saved in labour costs gave them £140 million to use for investment or to reduce prices. However, it was not easy to justify increased investment in the light of their low productivity. This was why the Government intended to widen their exposure to the discipline of the market; one way of doing this was by the introduction of private capital. The Government had accepted in principle the proposal for British Telecom to raise market capital by issuing a bond with the return to the investor based on profits. As a condition of access to the market, British Telecom would be expected to keep tariff increases at least two percentage points below the annual movement in the retail prices index and to reduce real unit costs in 1982-83 by at least 5 per cent with further reductions to be agreed for later years. If the Government were satisfied that the bond represented good value to itself, British Telecom and the investor the aim would be for an initial sale in the autumn of up to £150 million.

It remained the Government's purpose, whenever possible, to transfer to the private sector assets which could be better managed there. 'In the private sector businesses have to respond to consumer needs. The pressure on enterprises formerly in the public sector to do the same at once becomes much greater if they are transferred.' Considerable progress had been made. In addition to the recent sale of shares in Amersham International (see p 130), there was legislation enabling the Government to transfer to the private sector the British Transport Docks Board (see pp 52-3, 1981) and British Airways (see pp 382-3, 1979) and to permit the sale of subsidiaries in British Telecom (see p 18) and British Rail (see p 52, 1981). The National Freight Corporation had recently been transferred to a consortium led by its own management (see pp 341-2, 1981), while British Aerospace (see pp 56-7, 1981) and Cable and Wireless (see pp 344-5, 1981) were both 'now firmly established in the private sector'. The Government expected to achieve its target for 1981–82 of gross asset sales of about £500 million and was looking forward to further disposals in the next two years. It was seeking powers to sell the offshore oil assets of British Gas (see p 47) and to permit the introduction of private capital into the National Bus Company (see p 84). The most important transfer would be the sale of 51 per cent of the oil-producing business of the British National Oil Corporation (see pp 46-7).

ENTERPRISE

National Insurance Surcharge

The Government's prime purpose was to help private commerce and industry to help themselves by cutting their costs. The Chancellor had 'no doubt . . . that the single measure business would most welcome [was] a reduction in the National Insurance surcharge'. He explained that the surcharge was a tax on employment, having the effect of raising production costs. But it was extremely cost-effective as it raised a large amount at little administrative cost. Nevertheless, Sir Geoffrey was now allowing positive relief in the form of a reduction in the rate from 3·5 per cent to 2·5 per cent from 2 August, the earliest practicable date. However, in order to prevent industry from suffering from this unavoidable delay, he now proposed an extra reduction of 0·5 per cent between August 1982 and April 1983, which would mean the equivalent of a reduction of one percentage point over the 1982-83 year as a whole. The purpose was to help business costs and employment; the Chancellor warned that this should not be defeated by allowing the relief to find its way into higher pay.

Oil Taxation

Sir Geoffrey did not feel that the total tax burden on the oil industry was too high. While he could not agree to a reduction in taxes to the extent desired by the industry, he appreciated the need for some structural changes. In particular, he saw the advantage of profit-related taxes in relation to additional investment in existing fields. Supplementary petroleum duty (SPD) would, therefore, be abolished at the end of 1982. The rate of petroleum revenue tax, however, would be increased from 70 per cent to 75 per cent. Arrangements would be introduced to advance payments of petroleum revenue tax (PRT) as an acceleration of the existing PRT rather than a separate tax. They would thus differ from SPD in being fully set off against any ordinary PRT liabilities. From the middle of 1983 there would also be a monthly instalment system of PRT to help to smooth the flow of revenue. These changes would not affect the yield in 1982-83 of a little over £6,000 million; in 1983-84, however, there would be a net cost, after allowance for the saving in interest due to the adoption of the instalment system, of about £70 million.

Regional development grants paid in respect of future expenditure would be taken into account in computing PRT and ring-fence corporation tax.

The Chancellor was aware of the concern felt by the oil industry about the large number of changes in the tax arrangements in recent years. 'For this reason, my hope is that the new tax structure that I have proposed will provide a more secure and stable regime for the future, permitting development to go ahead uninhibited by major fiscal uncertainties.'

Industrial Energy Costs

Sir Geoffrey went on to propose various measures to ease the burden on heavy industrial users of electricity, gas and coal (see p 132 for details of the measures).

Industrial Innovation

The Government was announcing a series of new and expanded schemes in areas of new technology (see p 132 for details of the proposals).

Construction Industry

Help for the construction industry would take a number of forms. The value of grants under the home improvement grant system for private home-owners would be increased from a maximum of 75 per cent of eligible cost to 90 per cent. This would apply only until the end of 1982, the purpose not being to add to the longer-term demands on the construction industry but to encourage the early use of existing spare capacity.

In addition to the measures already announced for private sector participation in inner city projects in 1982-83 (see pp 27-8), up to £70 million would be set aside in 1983-84 to encourage participation by the private sector in the urban programme and the reclamation of derelict land. Also, when legislation could be introduced, the value of government grants paid to private sector bodies and the nationalised industries for land reclamation in assisted areas and derelict land clearance areas would be raised from 50 per cent of the cost to 80 per cent.

The Government would further encourage private investment in housing for rent by introducing, for a five-year experimental period, first-year capital allowances of 75 per cent for expenditure on the construction of property to be let as 'assured' tenancies by approved bodies (see p 56, 1980).

The small industrial workshop scheme (see p 120, 1980), under which an industrial building allowance of 100 per cent could be claimed on the construction of small workshops, had 'been a resounding success', with over 5,000 workshops having been built for letting to small businesses. The scheme would be extended until March 1985 for investment in very small workshops of area up to 1,250 sq ft (116 sq m). The scheme would also be improved by bringing into the scope of the industrial building allowance certain kinds of servicing, repairing and warehousing activities.

The Chancellor proposed to clarify the position regarding the liability to VAT of certain types of building alterations. A simplification of the existing law would ensure the zero-rating of a range of building alterations at an annual cost to the Inland Revenue of some £70 million.

Finally, the threshold for liability to stamp duty on house purchase would be raised from £20,000 to £25,000 and other thresholds also by £5,000. The cost in 1982-83 would be £70 million.

Small Businesses

This Budget was designed, as were its two predecessors, to give a special tonic to small businesses, Sir Geoffrey said. He was particularly concerned with the provision of equity capital.

The business start-up scheme (see p 103, 1981), which provided income tax relief on up to £10,000 invested in the equity of companies starting new trades, would be widened. In 1982-83 and 1983-84 the annual limit would be raised from £10,000 to £20,000, with any unused portion from the limit for 1981-82 to be added to the 1982-83 entitlement.

Certain purchases of their own shares by unquoted trading companies, mainly family and other small businesses, would be exempted from advance corporation tax and income tax. They would be treated instead as sales of shares by shareholders and therefore subject in most cases to capital gains tax only.

In his 1980 Budget the Chancellor had relaxed the conditions governing profit-sharing schemes and had re-introduced legislation to enable employees to buy shares in their company without incurring liability to income tax (see p 119, 1980). The response had been encouraging, the number of employee share schemes having risen from 30 in 1979 to over 400 in 1982. It was 'important to maintain and extend this progress'. Accordingly, the value of shares that could be allocated each year to any one employee would be raised from £1,000 to £1,250. There would also be some amendment of the detailed provisions relating to these schemes.

There would be further relaxation of the rules governing tax relief on interest on money borrowed for investment in small companies. A shareholder who worked full-time in the management of a business would qualify for relief even though he or she might not have more than 5 per cent of the shares.

Turning to loan finance, Sir Geoffrey referred to the success of the pilot loan guarantee scheme announced in the 1981 Budget (see p 103, 1981). In view of the strong demand for loans, the amount which the participating institutions could lend would be raised to £150 million for the first year and a further £150 million would be available during the second year ending in June 1983.

Small companies would be helped by the raising from £80,000 to £90,000 in the annual level of profits subject to corporation tax at the lowest rate, 40 per cent. The threshold for tax at the highest rate, 52 per cent, would be increased from £200,000 to £225,000. New businesses would be helped both by an extension from one year to three in the period during which any expenditure incurred before trading began qualified for relief from income and corporation tax and by relief from VAT for services supplied before registration. Businesses would be given tax relief for a ten-year period on contributions to certain enterprise agencies which concentrated on helping small firms. The registration threshold for VAT would be raised from an annual turnover of £15,000 to one of £17,000. The total revenue cost of measures to help small firms would be some £80 million in a full year.

Finally, the self-employed, who played 'a key role in the economy', would be helped by an increase in the limits on income tax relief on contributions to annuities by those in their fifties and sixties.

TAXATION

Fiscal Arrangements

The Budget would remedy certain hardships and anomalies in the tax system. Certain leasing provisions would be tightened. Assets leased abroad attracted capital allowances of 25 per cent a year and there was evidence that British tax incentives were being used to subsidise deals between other countries in foreign-made products.

The allowance would therefore be reduced to 10 per cent for all assets leased abroad.

The rules regarding investment in films would be amended. Investment of this type, in both British and foreign films, qualified for 100 per cent first-year allowances. Schemes for investment, especially in foreign films, were being marketed actively in Britain with considerable potential loss of revenue. The allowance would therefore be withdrawn and replaced by a provision that would, broadly, allow companies to write off expenditure over the income-producing life of a film. Because of the possibly serious implications of this for the British film industry, a scheme of transitional relief for investment in British films would be introduced for a two-year period.

Incentives for investment in shipping were being exploited for the benefit of foreign businesses. The 100 per cent first-year allowances were therefore being reduced to the 10 per cent which applied to international leasing generally.

Interest received by banks on 'section 233' loans, until now exempt from corporation tax under contrived arrangements, would be taxable. Measures would be taken to stop banks from using double taxation relief to lend overseas at abnormally low interest rates at the expense of the British taxpayer. The Government would, over the coming year, consider how best to ensure a sufficient flow of tax revenues from the banking sector.

Finally, the income tax relief on very large 'golden handshakes' would be withdrawn on a sliding scale so that any excess over £75,000 became fully taxable.

Indirect Taxes

Although no change in VAT was proposed, excise duties would be adjusted in line with the movement in prices. The duty on tobacco was to be increased by an amount which represented (including VAT) a rise of 5p in the price of a packet of 20 cigarettes, with corresponding increases for other tobacco products. Increases in the duties on alcoholic drinks would represent price rises (including VAT) of 2p on a pint of beer, 10p on a bottle of table wine, 13p on a bottle of sherry and 30p on a bottle of spirits.

Increases in the duty on petrol and derv would lead to price rises (including VAT) of about 9p and 7p a gallon respectively. The duty on aviation fuel, however, would be reduced, leading to a fall in price (including VAT) of about 32p a gallon.

The vehicle excise duty (VED) on cars would rise from £70 to £80 and that on most other groups of vehicle by about 12 per cent. Some important changes would be made in the VED on commercial vehicles. The VED on about 500,000 light vans would be brought more closely into line with that on cars, thus helping small businesses. All light commercial vehicles would in due course be taxed at the same rate as cars. In the light of the conclusions of the Armitage report (see pp 18–19, 1981), the duty on lorries with an unladen weight of over 9 tons would be raised by about a quarter. From 1 October the VED on heavy lorries would be assessed on the basis of gross rather than unladen weight (see pp 53–4, 1981).

Football pool betting duty would go up from 40 per cent to 42·5 per cent and there would be increased duties on casinos. The duty on 2p gaming machines would be abolished but there would be significant increases from 1 October in most rates of duty on 5p and 10p machines.

The changes in excise duties would raise £1,150 million in 1982–83 and £1,165 million in a full year.

Capital Taxes

The Chancellor recalled that, in each of his two previous Budgets, he had taken significant steps to rectify any tendency of capital taxes to penalise

Table 2

Summary of Central Government Transactions

£ million

	1981-82 Budget forecast	1981-82 estimated outturn	1982-83 forecast
Consolidated Fund			
Revenue	75,524	76,288	82,895
Expenditure	83,697	85,425	90,891
Deficit	8,173	9,137	7,996
National Loans Fund			
Consolidated Fund deficit (as above)	−8,173	−9,137	−7,996
Other transactions:			
Receipts	11,100	11,230	11,600
Payments	−15,134	−11,834	−13,236
Total net borrowing by the National Loans Fund	−12,207	−9,741	−9,632
Other funds and accounts (net)	+710	+988	+339
Central government borrowing requirement	−11,497	−8,753	−9,293

business success or personal endeavour (see pp 119-20, 1980, and p 101, 1981). These would now be taken a stage further by raising from £50,000 to £55,000 the threshold for capital transfer tax (CTT) and extending the bands so that the highest rate would be reached at £2·5 million instead of £2·01 million. The cost would be £85 million in a full year. The threshold and bands for the tax would in future be indexed in the same way as income tax allowances. Also, foreign currency accounts held by individuals with no connection with Britain would not be subject to CTT.

The liability of capital gains to tax would be calculated after making allowance for inflation after the first year of ownership. The exempt slice of gains would be raised from £3,000 to £5,000 and this threshold would in future also be indexed. The measures would have no revenue cost in 1982-83 but would cost £55 million in 1983-84.

Table 3

Taxation and Miscellaneous Receipts

£ million

	1981-82 Budget forecast	1981-82 estimated outturn*	1982-83 forecast*
Taxation			
Inland Revenue			
Income tax†	28,205	28,504	30,775
Corporation tax‡	4,600	4,800	4,850
Petroleum revenue tax	2,210	2,380	2,290
Supplementary petroleum duty	1,850	2,050	2,040
Capital gains tax	575	540	600
Development land tax	25	35	40
Estate duty	15	16	10
Capital transfer tax	445	470	465
Stamp duties	775	800	810
Special tax on banking deposits	400	355	—
Total Inland Revenue	*39,100*	*39,950*	*41,880*
Customs and Excise			
Value added tax	12,650	12,300	14,750
Oil	4,800	4,550	5,100
Tobacco	3,220	3,325	3,525
Spirits, beer, wine, cider and perry	3,200	3,000	3,275
Betting and gaming	510	500	550
Car tax	550	525	600
Other excise duties	25	20	20
European Community own resources:			
Customs duties, etc	835	920	1,060
Agricultural levies	210	210	270
Total Customs and Excise	*26,000*	*25,350*	*29,150*
Vehicle excise duties	1,628	1,629	1,854
National Insurance surcharge	3,809	3,594	3,443
Total taxation	**70,537**	**70,523**	**76,327**
Miscellaneous receipts			
Broadcast receiving licences	552	603	754
Interest and dividends	222	260	321
Gas levy	—§	383	512
Other‖	4,213	4,519	4,981
Total	**75,524**	**76,288**	**82,895**

*Receipts have been affected by the civil servants' dispute which ended in July 1981. The estimated outturn for 1981-82 and the forecast for 1982-83 are therefore subject to considerably more error than normal.

†Including surtax 3 4 2

‡Including advance corporation tax:

Net of repayments 1,760 2,000 2,170

§No forecast was made in the 1981-82 Budget as the Gas Levy Act 1981 had not received Royal Assent at the time.

‖Including the 10 per cent of own resources refunded by the European Community to meet the costs of collection, proceeds from special sales of assets, and estimated receipts of £1,350 million in 1981-82 and £1,330 million in 1982-83 in respect of oil royalties.

Table 4

Supply Services and Consolidated Fund Standing Services

£ million

	1981–82 Budget forecast	1981–82 estimated outturn	1982–83 forecast
Supply services			
I. Defence	12,138	12,483	13,945
II. Overseas services	1,581	1,536	1,605
III. Agriculture, fisheries and forestry	652	652	664
IV. Trade, industry, energy and employment	4,906	6,322	5,424
V. Government investment in nationalised industries	926	927	572
VI. Roads and transport	1,733	1,880	2,019
VII. Housing	2,360	2,492	2,318
VIII. Other environmental services	520	501	568
IX. Law, order and protective services	2,232	2,269	2,475
X. Education and libraries, science and arts	2,632	2,714	2,850
XI. Health and personal social services	9,572	9,790	10,260
XII. Social security	9,438	10,031	11,768
XIII. Other public services	1,216	1,182	1,297
XIIIA. House of Commons administration	14	14	16
XIV. Common services	1,919	1,968	2,098
XV. Scotland	2,737	2,805	2,988
XVI. Wales	1,101	1,095	1,168
XVII. Northern Ireland	1,118	882	1,103
XVIII. Rate support grant, financial transactions, etc	15,315	15,634	16,087
Total	*72,110*	*75,177*	*79,225*
Supplementary provision	31	—	109
Contingency reserve	2,500	—	2,400
Reduction in National Insurance surcharge	—	—	−360
General allowance for underspending	−900	−450	—
Total supply services	*73,741*	*74,727*	*81,374*
Consolidated Fund standing services			
Payment to the National Loans Fund in respect of service of the national debt	6,200	6,566	5,175
Northern Ireland – share of taxes, etc	1,279	1,440	1,493
Payments to the European Community, etc	2,450	2,664	2,820
Other services	27	28	29
Total Consolidated Fund standing services	*9,956*	*10,698*	*9,517*
Total	**83,697**	**85,425**	**90,891**

Rollover relief would be available on compulsory purchase and, to complete the Government's policy of avoiding a charge to both capital taxes on the one event, this relief would also be available on assets coming out of trust. These measures would cost nothing in 1982-83 but £11 million in 1983-84.

Income Tax

The Government remained 'firmly committed . . . to reduce the burden of direct taxation. It is essential to do so to improve incentives, to remove disincentives and to reduce the poverty trap.' Sir Geoffrey felt unable both to raise the income tax threshold and to lower the rates. In 1979 the basic rate had been reduced from 33 per cent to 30 per cent and the higher rates had also been cut (see p 197, 1979). Relief would therefore be concentrated on raising thresholds. The single personal allowance would be increased from £1,375 to £1,565 and the married allowance from £2,145 to £2,445. The additional personal allowance and the widow's bereavement allowance would both rise from £770 to £880. There would be corresponding increases in the age allowance, the thresholds and bands for the higher rates and the threshold for the investment income surcharge. The increases, which were up to two percentage points above the 12 per cent needed to take account of inflation in 1981, would be worth £1,800 million in 1982-83 and nearly £2,500 million in a full year. Some 1·2 million people would be taken out of tax in 1982-83.

CONCLUSION

In commending his Budget to the House and to the nation, the Chancellor said that his aim had been to give as much encouragement as the country could afford to an economy which was 'now moving in the right direction'. The temptation to seek a solution to economic problems by merely borrowing had been resisted and, instead, the reduction in the prospective level of borrowing would maintain progress towards stable prices. The Budget would 'give confidence at home that growing markets will be there, for those prepared to go out and win them, and so a better prospect of employment opportunities for those who look only for the chance to work'.

BUDGET STATISTICS

Tables 2, 3 and 4, taken from the *Financial Statement and Budget Report 1982-83*, show the major items in the expected revenue and expenditure of central government and its borrowing requirements for 1982-83.

OPPOSITION VIEW

Speaking for the Official Opposition in the House of Commons on 10 March, Mr Peter Shore said that the Budget offered 'a sop to industry but will do virtually nothing to deal with its basic problems of loss of competitiveness and lack of demand' (*Hansard*, Vol 19, No 74, cols 871-80). Only those with very high incomes would clearly gain from the changes in direct taxation while the reduction in the National Insurance surcharge and the 'other minor measures' would do very little to restore this competitiveness.

The prospects for employment were poor. Mr Shore thought that the Budget was broadly neutral on taxation but that the cuts in public expenditure would lead to a rise in unemployment of at least 300,000 during the year.

The Chancellor saw his role as 'essentially one of fine tuning a slump'. The real task, however, was to restore output and employment. The future facing Britain was not easy and economic success would involve great effort and co-operation by the British people. The Labour Party would 'invite our fellow countrymen to join with us in achieving . . . a programme that seeks to create new jobs, to increase the output and wealth of our society and, above all, to establish a more just distribution of what we have both between different income groups and between private and community needs'.

For the Liberal Party Mr Richard Wainwright (*Hansard*, Vol 19, No 74, cols 889-92) criticised the tax proposals. The thresholds for direct taxation in Britain were among the lowest in the world and the starting rates among the highest.

Speaking for the Social Democratic Party, Mr Bruce Douglas-Mann (*Hansard*, Vol 19, No 74, cols 901-7), said that Britain needed 'a substantial expansion of the economy', with the bulk of increased public expenditure going on the social services.

Public Expenditure Plans

A rise of £1,500 million over previous plans for expenditure on industry, energy, trade and employment contributes to total public spending of £115,000 million in 1982-83, according to the White Paper on public expenditure,[1] published on Budget day. This is nearly £5,000 million more than was allowed for in last year's White Paper. The revised figure for 1982-83 is about £9,000 million higher than the estimated outturn in 1981-82, with increases of 12 per cent in spending on defence and on social security.

Introduction

The main points of the Government's plans for expenditure in 1982-83 were outlined by the Chancellor of the Exchequer, Sir Geoffrey Howe, on 2 December 1981 (see p 363, 1981). The White Paper gives a fuller account of the plans for the years 1982-83 to 1984-85, summarised in Table 1.

Planned expenditure in 1982-83 of £115,000 million is some £5,000 million higher than the target given in the 1981 White Paper (Cmnd 8175 – see pp 104-10, 1981) and about £9,000 million higher than the estimated outturn in 1981-82. The planning totals for 1983-84 and 1984-85 of £121,000 million and £128,000 million respectively are provisional and will be reviewed in the 1982 expenditure survey.

The 1981-82 outturn is expected to exceed the level planned by £1,300 million, mainly because of the high level of current spending by local authorities.

Cash Planning

Public expenditure is now planned in cash terms rather than in the constant prices used in previous White Papers. This embodies the principle, already well established in the system of cash limits, that levels of service must be determined in the light of the finance available.

Changes since the 1981 White Paper

Following the December statement, the plans for individual programmes (but not the total) have been adjusted where necessary for revised economic assumptions (largely concerning social security) and for subsequent decisions (see Table 2). Expenditure by programme is shown in Table 3.

Social Security

Social security is by far the largest programme, representing more than one-quarter of the total. Nearly all the expenditure is on benefits and about one-half is for the elderly. The increase of £874 million in planned expenditure in 1982-83 is attributable to three causes. First, for those long-term benefits which the Government has pledged to maintain in real value for the life of the present Parliament, the shortfall of 2 per cent in the 1981 uprating will be made good in the 1982 uprating.

[1] *The Government's Expenditure Plans 1982-83 to 1984-85*. Volume One. Cmnd 8494 – I. HMSO, £4·15. ISBN 0 10 184940 0. Volume Two. Cmnd 8494 – II. HMSO, £7·45. ISBN 0 10 184941 9.

Table 1

Public Expenditure Plans

£ million

	Estimated outturn 1981-82	Plans 1982-83	1983-84	1984-85
Public expenditure programmes				
1 Central government (including government finance for nationalised industries)	77,819	84,127		
2 Local authorities	26,471	28,036	117,630	123,340
3 Capital expenditure of certain public corporations	1,387	1,517		
Adjustments				
4 Net overseas and market borrowing of nationalised industries	202	−180	50	−370
5 Special sales of assets (net)	−50	−600	−600	−600
6 Contingency reserve	300*	2,250	4,000	6,000
7 Planning total	106,130	115,150	121,070	128,370
8 Percentage change on previous year	+13·5	+8·5	+5·1	+6·0
Memorandum items				
A Debt interest (not included above):				
Gross†	14,400	15,500	16,000	16,500
Net‡	6,200	6,500	7,000	7,500
B Net borrowing of nationalised industries (included in items 1 and 4)	2,000	913	1,280	760

* Expected to be fully spent by the end of the year.
† Total payments of debt interest by the public sector.
‡ Broadly, those payments of debt interest financed from taxation or further government borrowing.

Table 2

Changes in Public Expenditure since the 1981 White Paper (Cmnd 8175)

£ million

	1981-82	1982-83	1983-84
Defence	+363	+479	+420
Overseas aid and other overseas services:			
Overseas aid	−16	−10	
Net payments to European Community institutions	−415	−1	+50
Other overseas services	−12	−5	
Agriculture, fisheries, food and forestry	+203	+105	+70
Industry, energy, trade and employment	+351	+1,500	+1,180
Transport	+230	+258	+190
Housing	−315	+260	+40
Other environmental services	−15	+107	+40
Law, order and protective services	+58	+83	+120
Education and science, arts and libraries	+584	+582	+470
Health and personal social services	+328	+233	+160
Social security	+578	+874	+780
Other public services	−21	−17	+70
Common services	+116	+24	+30
Scotland	+16	+142	+110
Wales	+26	+76	+60
Northern Ireland	+52	+120	+150
Government lending to nationalised industries	−143	+460	+1,500
Adjustments:			
Net overseas and market borrowing of nationalised industries	+524	−26	+400
Special sales of assets	+180	−421	−410
Contingency reserve	−1,700	−600	+950
General allowance for shortfall	+700	+713	+760
Planning total	+1,673	+4,934	+7,130
Debt interest:			
Gross	+700	+400	
Net	+100	−200	−300
Net borrowing of nationalised industries	+382	+433	+1,900

Table 3

Public Expenditure by Programme

£ million

	Estimated outturn 1981-82	1982-83	1983-84	1984-85
Defence	12,634	14,103	15,300	16,440
Overseas aid and other overseas services:				
Overseas aid	989	973	1,040	1,110
Net payments to European Community institutions	45	500	580	600
Other overseas services	613	666	700	740
Agriculture, fisheries, food and forestry	1,557	1,534	1,490	1,500
Industry, energy, trade and employment	5,602	5,845	4,860	5,030
Transport	3,922	4,160	4,340	4,490
Housing	3,320	3,480	2,760	2,860
Other environmental services	3,471	3,747	3,870	4,030
Law, order and protective services	3,747	4,108	4,450	4,700
Education and science, arts and libraries	12,362	12,754	13,110	13,410
Health and personal social services	12,764	13,633	14,480	15,250
Social security	28,618	32,030	33,500	35,400
Other public services	1,333	1,370	1,520	1,610
Common services	1,599	1,633	1,800	1,930
Scotland	5,722	6,062	6,270	6,490
Wales	2,288	2,423	2,500	2,610
Northern Ireland	3,276	3,546	3,780	3,990
Government lending to nationalised industries	1,816	1,114	1,260	1,140
Adjustments:				
Net overseas and market borrowing of nationalised industries	202	−180	50	−370
Special sales of assets	−50	−600	−600	−600
Contingency reserve	300	2,250	4,000	6,000
Planning total	106,130	115,150	121,070	128,370

Secondly, there has been a rise in the level of unemployment expected in 1982-83. Thirdly, the estimate of the proportion of the unemployed likely to claim unemployment benefit has been revised upwards. In projecting expenditure on social security a rise in prices of 10 per cent in the year ending November 1982 was assumed and rises of 6 per cent and 5 per cent respectively in each of the following two years. Unemployment in Great Britain (excluding school-leavers) has been provisionally estimated to average 2·6 million in 1981-82 and 2·9 million in the next three years.

Employment

Expenditure on special employment and training programmes will be some £1,500 million in 1982-83. This includes the £650 million package for the year announced in July 1981 (see pp 228-30, 1981). There is also increased provision for the Redundancy Fund in 1982-83 and in subsequent years for the new Youth Training Scheme and other training reforms announced in December 1981 (see pp 21-4).

Defence

Planned expenditure on defence in 1982-83 is intended to reflect the Government's firm decision to aim for real increases of about 3 per cent a year, in line with the target set by the North Atlantic Treaty Organisation (see p 195, 1981). Additional provision has been made in the period 1982-85 to cover the cost of carrying out the 1981 pay award for the armed forces (see pp 159-60, 1981) and to provide for the restructuring of the defence programme (see pp 195-7, 1981).

Health

Planned expenditure on health is being raised by about £80 million between 1981-82 and 1982-83, which takes into account savings of £27 million through increased efficiency. The net increase has been held down because of a rise in charges.

Law and Order

The increase of £110 million in planned expenditure by the Home Office in 1982-83 reflects the Government's continuing commitment to the law and order services. It allows for a rise in police manpower to virtually full establishment by 1983. Extra spending on prisons is also planned (see p 136).

Education

Planned spending on education is substantially affected by the increase in the current expenditure of local authorities. The programme takes account of the continuing decline in the number of school children up to the age of 16 but makes provision

Table 4
Central Government Expenditure

£ million

	Estimated outturn 1981-82	1982-83
Defence	12,634	14,103
Overseas aid and other overseas services	1,608	2,093
Agriculture, fisheries, food and forestry	1,281	1,250
Industry, energy, trade and employment	5,435	5,658
Transport	1,771	1,909
Housing	1,736	1,508
Other environmental services	282	331
Law, order and protective services	969	1,066
Education and science, arts and libraries	2,016	2,307
Health and personal social services	10,888	11,671
Social security	28,041	31,368
Other public services	1,322	1,358
Common services	1,599	1,633
Scotland	2,639	2,766
Wales	1,068	1,109
Northern Ireland	2,713	2,882
Government lending to nationalised industries	1,816	1,114
Total (excluding adjustments – see Table 1)	77,819	84,127

for 16- to 19-year-olds in schools and colleges (see p 229, 1981) and for the restructuring of higher education.

Local Authority Current Expenditure

The increased provision for local authority current expenditure involves increases in programmes such as transport, other environmental services, law and order, education, personal social services, and Scotland and Wales, each of which entails some expenditure by central government.

Nationalised Industries

Net external finance for the nationalised industries has been increased by £1,300 million in 1982-83. As a result, planned investment in these industries during the year is over £7,500 million.

Reductions

A cut of at least 2 per cent and, in some cases, substantially more, has been made from the 1981 White Paper cash equivalents in almost all expenditure subject to cash limits. The main exception is defence. Savings have been made on central government staff and other administrative costs. Savings are to be helped by increased efficiency in the National Health Service (see above) and the reduction in the size of the Civil Service (see below).

Public Expenditure and Gross Domestic Product

Because of the expected rise in gross domestic product (GDP) and the curbing of public expenditure, the ratio of public expenditure (including debt interest) to GDP is expected to fall in 1982-83 from the 1981-82 estimate of 45 per cent.

Cash Limits

Cash limits are the control figures for the coming year, during which they will not normally be revised. Any increase in expenditure which is decided will be charged to the contingency reserve (see below). Forty per cent of public expenditure is directly subject to cash limits. Another 40 per cent consists of 'demand-determined' services on which, once policy and rates of payment have been decided, expenditure in the short term depends on the number of eligible applicants (for example, social security benefits). The remaining 20 per cent is local authority current expenditure: while rate support grant, the Government's main contribution to this expenditure, is subject to cash limits, the expenditure itself is not.

Contingency Reserve

The plans include a reserve for contingencies and other requirements which cannot be quantified at this stage. The reserve is a control figure for the year ahead; any fresh expenditure which cannot be accommodated within existing programmes will be contained within it. It is now expected that the 1981-82 reserve of £2,500 million will be underspent by some £900 million, which partially offsets the large over-spending by local authorities. The reserve for 1982-83 has been set at £2,250 million but for the later years the greater uncertainty requires a larger reserve in order to make the planning total realistic. Contingency reserves of £4,000 million and £6,000 million respectively have been provided for 1983-84 and 1984-85 but these figures will be reviewed in the 1982 public expenditure survey before a control figure is set for 1983-84.

Table 5

Public Expenditure by Local Authorities in England, Scotland and Wales

£ million

	Estimated outturn 1981-82	1982-83
Current expenditure		
Education and science, arts and libraries	11,646	11,926
Local environmental services	2,610	2,717
Law, order and protective services	2,926	3,218
Personal social services	2,146	2,223
Transport	1,806	1,758
Housing	573	503
Other programmes	846	957
Total (current)	22,553	23,302
Capital expenditure		
Education and science, arts and libraries	488	427
Local environmental services	662	805
Law, order and protective services	113	127
Personal social services	88	127
Transport	765	922
Housing	1,189	1,657
Other programmes	146	166
Total (capital)	3,451	4,231
Total (current and capital)	**26,004**	**27,533**

Staffing

The Government intends to make continuing savings in public service manpower. Between April 1979 and January 1982 the number of civil servants fell by nearly 8 per cent, from 732,000 to 675,000, which is the smallest number since 1967. A further cut, to 630,000 by the end of 1983-84, is planned, representing a total reduction of 14 per cent. The Civil Service will then be smaller than at any time since the end of the second world war in 1945. Manpower in the armed forces is to be reduced by up to 19,500 by 1986, which will be a fall of 6 per cent since 1982 (see p 197, 1981).

An increased level of services to patients in the National Health Service implies some increase in manpower. This is estimated to have risen by some 40,000, about 5 per cent, between 1979 and 1981.

Local authority manpower in Great Britain was reduced by over 70,000, or 3 per cent, between March 1979 and September 1981 although the proportionate saving has been less than half of that in the Civil Service. The largest reduction has been in education, which still employs nearly half of all local government staff despite a fall of nearly 60,000, or 5 per cent, between 1979 and 1981. Manpower in law, order and protective services rose by 11,000, or 4 per cent, over the period and further slight increases are planned.

Current and Capital Expenditure

The major changes in current expenditure between 1981-82 and 1982-83 are a fall in housing subsidies and a rise in social security benefits, mainly because of increases in pensions. Provision in 1982-83 for pay and related costs reflects the saving in public service manpower described above and the general allowance of 4 per cent for pay increases.

In 1982-83 planned capital expenditure (including the borrowing of nationalised industries for whatever purpose) is some £11,500 million, about the same as in 1981-82. Capital expenditure is expected to account for 10·25 per cent of total spending in 1982-83 compared with 11·25 per cent in 1981-82.

Analysis by Spending Authority

Central Government

Central government expenditure (see Table 4) accounts for nearly three-quarters of total spending on programmes. A little under half is on goods and services, mainly for defence and the National Health Service. The pay and related costs of the Civil Service amount to just under one-tenth of central government expenditure while social security benefits account for slightly over one-third.

Nationalised Industries

Planned external finance for the nationalised industries of about £2,700 million in 1982-83 is over £600 million lower than the estimated outturn in 1981-82, with net borrowing from the Government reduced by £700 million. Whereas the nationalised industries made net borrowings of some £200 million from the market and from

overseas in 1981-82, they are expected to make net debt repayments of a similar amount in 1982-83. Grants to these industries are expected to increase from about £1,400 million to over £1,800 million.

Local Authorities

Public expenditure by local authorities in England, Scotland and Wales in 1982-83 is shown in Table 5.

Current expenditure is about £1,300 million higher than the figure given in the 1981 White Paper. Overspending by local authorities in 1981-82 meant that they would not be able to keep expenditure in 1982-83 within the level previously planned. In any case, allowing for pay and price increases, they will have to make significant real economies to keep within the new plans. The Government, however, attaches the utmost priority to achieving these targets. Exchequer grants to local authorities will be £850 million (6·5 per cent) higher in 1982-83 than in 1981-82 but will represent a lower proportion of relevant expenditure in each of the three countries.

Capital expenditure in 1981-82 is likely to be more than £500 million less than the figure set by cash limits, an unusually large shortfall. Capital receipts are also likely to be some 40 per cent higher than the £1,000 million or so allowed for in the cash limits.

Special Sales of Assets

Special sales of assets in 1981-82 included sales of shares in Cable and Wireless (see pp 344-5, 1981), further sales of long leases in motorway service areas and the sale of the Government's shareholding in the British Sugar Corporation. Gross proceeds are estimated at £600 million. Net proceeds, however, were only about £50 million, mainly because of a fall in receipts from earlier advance payments for oil and because the Government decided not to pursue a further programme of advance oil payments while the oil market was depressed. Net proceeds from sales in 1982-83 are planned at £600 million.

Balance of Payments in 1981

A further improvement in Britain's balance of payments occurred in 1981, the current balance of about £8,000 million reflecting both an improvement in visible trade and in invisible trade. The surplus on invisible trade rose from £1,900 million in 1980 to £3,300 million, mainly as a result of higher surpluses on interest, profits and dividends. A higher level of earnings on overseas portfolio investments has followed the abolition of exchange controls.

Figures for Britain's balance of payments in the fourth quarter of 1981 and the year as a whole were published on 10 March by the Central Statistical Office in a press notice, from which the information in this article was obtained. Information on visible trade for the whole of 1981 is not yet available because of a Civil Service industrial dispute in mid-1981. When the statistics are produced later in 1982, the results will be summarised in *Survey of Current Affairs*.

Table 1 shows the balance of payments in 1979-81. Although no figures are given for the visible trade balance and the current balance in 1981, the Central Statistical Office considers it likely that the current account surplus may have amounted to about £8,000 million, compared with £3,058 million in 1980.

Visible Trade

In the fourth quarter of 1981 exports totalled £13,991 million and imports £13,368 million, resulting in a visible trade surplus of £623 million, substantially lower than in the corresponding quarter of 1980 and in January-February 1981. The values of exports and imports were both higher, but the rise in exports was significantly less than the rise in imports. Although recent trends in exports have been obscured by the effect of a new system of documentation, the available evidence indicates a significant rise in

Table 1

Balance of Payments

£ million

	1979	1980	1981
Visible trade balance	−3,449	+1,185	*na*
Invisible trade balance	+2,513	+1,873	+3,347
of which *Services*	*+3,957*	*+4,107*	*+4,080*
Interest, profits and dividends	*+846*	*−112*	*+1,148*
Transfers	*−2,290*	*−2,122*	*−1,881*
Current balance	−936	+3,058	*na*
Investment and other capital transactions	+2,170	−1,418	−6,273
Allocation of Special Drawing Rights	+195	+180	+158
Official reserves*	−1,059	−291	+2,419
Other official financing	−846	−1,081	−1,732
Balancing item	+476	−448	*na*

na = not available.
*Drawings on (+)/additions to (−).

Table 2
Invisible Trade

£ million

	Credits			Debits			Balance
	1979	1980	1981	1979	1980	1981	1981
Services	14,423	15,709	16,843	10,466	11,602	12,763	+4,080
Private sector and public corporations	14,079	15,309	16,392	9,325	10,414	11,522	+4,870
of which *Sea transport*	*3,804*	*3,816*	*3,859*	*3,683*	*3,681*	*3,747*	*+112*
Civil aviation	*1,755*	*2,210*	*2,359*	*1,467*	*1,815*	*1,922*	*+437*
Travel	*2,797*	*2,961*	*3,041*	*2,109*	*2,738*	*3,286*	*−245*
*Financial services**	*1,584*	*1,555*	*1,799*	—	—	—	*+1,799*
Other	*4,139*	*4,767*	*5,334*	*2,066*	*2,180*	*2,567*	*+2,767*
General government	344	400	451	1,141	1,188	1,241	−790
Interest, profits and dividends	7,879	7,982	9,439	7,033	8,094	8,291	+1,148
Private sector and public corporations	7,063	7,039	8,502	5,641	6,496	6,657	+1,845
General government	816	943	937	1,392	1,598	1,634	−697
Transfers	1,310	1,751	2,538	3,600	3,873	4,419	−1,881
Private	760	793	880	992	1,083	1,119	−239
General government	550	958	1,658	2,608	2,790	3,300	−1,642
Total invisible trade	23,612	25,442	28,820	21,099	23,569	25,473	+3,347

*Figures are obtained net of overseas payments, and similar earnings in Britain by overseas financial institutions are negligible. For these reasons the item appears only as a credit entry.

the trend of exports since earlier in 1981. The volume of exports in the fourth quarter of 1981 was at a higher level than at any time since early 1980, even after allowing for buoyant exports of oil. Imports in the fourth quarter of 1981 were considerably higher in both value and volume terms than the exceptionally low levels experienced in the early months of 1981 when there was very heavy destocking. Increases in 1981 were substantial in all major commodity groups, with especially large increases in manufactured goods.

Invisible Trade

The surplus on invisible trade is provisionally estimated at £3,347 million in 1981 (see Table 2). Credits totalled £28,820 million and debits £25,473 million.

Services

Earnings from services rose by 7 per cent in 1981 to £16,843 million, although in volume terms this represented a fall of about 4 per cent. Debits, at £12,763 million, were 10 per cent higher by value and 1 per cent by volume.

The surplus on private sector services in 1981 was £4,870 million, similar to the surplus recorded in 1980, with a major contribution coming from financial services. The sea transport account showed a reduced surplus, with debits rising by 2 per cent and credits only slightly; in particular, the surplus on tanker operations fell sharply, offsetting a reduction in the deficit on dry cargo. Civil aviation recorded a surplus of £437 million in 1981, as against £395 million in 1980. Credits (£2,359 million) were 7 per cent higher than in 1980, mainly through greater disbursements in Britain by overseas airlines, reflecting higher landing charges rather than an increase in traffic. There was a deficit on the travel account of £245 million in 1981, compared with a surplus of £223 million in 1980, although the deficit fell during the last quarter of the year. Debits were 20 per cent higher in 1981 as the number of British residents travelling abroad rose by 9 per cent and their average expenditure per visit by 10 per cent. Credits grew by only 3 per cent, with higher average expenditure more than offsetting the fall of 7 per cent in the number of visitors to Britain. Although visitors from the United States increased, there was a considerable fall in the number of visitors from the rest of Europe. Net earnings from financial services rose by 16 per cent to £1,799 million.

Interest, Profits and Dividends

There was a substantial surplus on interest, profits and dividends of £1,148 million in 1981, compared with a deficit of £112 million in 1980. Credits rose by 18 per cent to £9,439 million, partly as a result of the fall which occurred in sterling's exchange rate and in spite of a sharp reduction in the overseas earnings of British oil companies. Debits rose by only 2 per cent to £8,291 million, being considerably affected by lower earnings in Britain by overseas controlled oil companies.

British companies' earnings from their overseas affiliates were about 10 per cent higher in 1981, although much of the rise reflected exchange rate movements rather than an improvement in the underlying foreign currency level of earnings. A greater proportion of direct investment earnings was reinvested by British parent companies in their overseas concerns, with a smaller proportion being received in the form of dividends. However, the proportion of direct investment earnings in Britain by overseas companies which was retained for reinvestment in Britain also rose during 1981. Portfolio investment earnings continued to rise in

Table 3
Investment and Other Capital Transactions*

£ million

	1979	1980	1981
Overseas investment in Britain:			
British public sector	+902	+585	+237
British private sector	+3,405	+4,194	+3,431
British private investment overseas	−6,555	−7,103	−9,470
Official long-term capital	−401	−91	−339
Import credit†	+72	−238	+149
Export credit†	−849	−913	−1,000
Foreign currency borrowing or lending abroad by British banks	+1,623	+2,024	+1,318
Changes in external sterling liabilities‡	+3,359	+3,820	+2,747
External sterling lending by British banks§	+209	−2,478	−2,968
Other external borrowing or lending	+473	−996	−388
Other transactions	−68	−222	+10
Total	+2,170	−1,418	−6,273

*Assets: increase (−)/decrease (+); liabilities: increase (+)/decrease (−). Excludes official financing.
†Excluding trade credit between related firms; after deducting advance and progress payments to suppliers.
‡Exchange reserves and other external banking and money market liabilities in sterling.
§Excluding credit for exports from Britain.

1981, mainly reflecting the substantial increase in such investment overseas since the abolition of exchange controls in 1979 (see pp 192 and 338, 1979).

Transfers

The deficit on general government transfers fell from £1,832 million in 1980 to £1,642 million in 1981. There was a significant improvement on the European Community account, where the deficit fell from £825 million to £530 million, mainly owing to a rise in gross budget refunds, arising from the agreement in May 1980 (see pp 182-3 and 314-15, 1980), from £98 million to £693 million.

Investment and Other Capital Transactions

The large estimated current account surplus in 1981 was reflected in a substantial net acquisition of assets overseas; identified capital movements showed a net outflow of £6,273 million, considerably higher than the net outflow of £1,418 million in 1980 (see Table 3). British banks' sterling lending overseas rose sharply during 1980, particularly in inter-bank markets, following the abolition of exchange controls and the 'corset' (the supplementary special deposits scheme – see p 131, 1980), but after erratic movements early in 1981 there were signs of a fall in the rate of growth. Nevertheless, the outflow in 1981 (£2,968 million) was about £500 million more than in 1980.

Private investment overseas rose from £7,103 million in 1980 to £9,470 million in 1981. Direct investment other than by oil companies rose by some £1,400 million to £4,000 million, with the third and fourth quarter totals being boosted by company purchases in the United States, for example, of Intercontinental Hotels by Grand Metropolitan and of Crocker Bank by Midland Bank. Portfolio investment overseas also amounted to some £4,000 million in 1981, but there were signs of a decline following the large flows around the turn of 1980-81. Overseas investment in Britain was apparently lower in 1981 than the previous year (see Table 3), but the trend was obscured by large offsetting movements of funds in successive quarters, including those at the turn of 1980-81; if these are ignored, there was a fall in 1980 followed by a recovery in 1981.

Official Financing

Official reserves fell by £2,419 million in 1981 (see Table 1) and this was largely associated with repayments of £1,700 million of official debt. The $2,500 million eurocurrency facility arranged with banks in 1974 was repaid, much of it ahead of schedule, and there were net repayments of £353 million of borrowing by public bodies under the exchange cover scheme and of £145 million under the International Monetary Fund's oil facilities.

Amersham International

Shares in Amersham International Ltd (formerly The Radiochemical Centre Ltd) have been sold to the public and employees of the company under the provisions of the Atomic Energy (Miscellaneous Provisions) Act 1981 (see pp 74 and 253, 1981).

Announcing the sale in the House of Commons on 11 February (*Hansard*, Vol 17, No 55, written answers, col 448), the Parliamentary Under-Secretary of State for Energy, Mr John Moore, said that the Government believed that it would be in the best interests of the nation and the

company for Amersham International to continue its development as an independent private sector company with a wide spread of ownership by the public, and that all the shares would be offered on the Stock Exchange at a fixed price. The company's articles of association had been drawn up to limit any single shareholding to 15 per cent of the equity, and included other related provisions. Changes to the articles would require the consent of the Secretary of State for Energy. He would have no other rights as it was not the Government's wish to influence the company's business.

Under the terms of sale, the Government offered, to each United Kingdom employee of the company, shares to the value of approximately £50, free of charge; in addition, for every share purchased by an employee he or she could apply for one additional share free, up to a total value of £500 per employee. Employees would also receive preference in the allocation of any further shares they wished to buy in the event of the offer of shares as a whole being over-subscribed. (It was announced on 24 February – see below – that over 99 per cent of the company's United Kingdom employees had taken up the offer of £50 worth of free shares, and over 80 per cent had decided to buy shares to be matched by free shares from the Government. In addition, some 40 per cent had applied to buy shares under the preferential application scheme and would receive the shares applied for in full.)

Mr Moore gave details of the results of the offer to the House of Commons on 24 February (*Hansard*, Vol 18, No 64, written answers, col 397). He pointed out that, as the offer had been over-subscribed more than 20 times, employees were being allocated 3·6 per cent of the issued share capital under the special arrangements made for them. The arrangements for allocation of shares to the general public involved substantial scaling down and an element of balloting, and had been devised to further the Government's policy of wider share ownership. Applications for fewer than 6,000 shares would be subject to a ballot, but the shares allotted to the groups in this category would average 6·3 per cent of the total shares applied for. Applicants for 6,000 shares or more would receive 3·5 per cent of what they applied for, subject to a minimum individual allocation of 350 shares. Mr Moore said that this basis of allocation ensured that the number of shares being allotted to smaller investors was a significantly greater proportion of those applied for than was the case with the larger applications. The issue would raise a gross sum of £71 million, of which £5·7 million would go to the company and the balance (net of the issue costs) to the Exchequer.

Opposition Views

In a debate on the sale, in the House of Commons on 16 March (*Hansard*, Vol 20, No 79, cols 260-300), the opening spokesman for the Opposition, Mr Ioan Evans, criticised very strongly the way in which the Government had handled the sale. The company had been an 'outstandingly successful nationalised business, the world leader in its high-technology field'. The accusation being made by the Opposition was that the Government was selling 'national assets . . . at knock-down prices'. Mr Evans said that the sale had provided 'financial speculators with handsome profits on the Stock Exchange'. The need to sell a highly successful company at this stage of an economic recession at a 'give-away price' had to be justified by the Government.

The chief Opposition spokesman on energy, Mr Merlyn Rees, also questioned the method of sale and suggested that a wider spread of ownership could have been achieved by selling the shares to the general public over the counter at post offices.

The Government's Reply

In reply, Mr Moore said that the Government had approached the sale of shares with four key objectives. These were: first, to preserve the firm as an independent, British company; secondly, to maintain the sense of commitment by the staff, which had been the mainstay of the firm's success; thirdly, to ensure as wide a spread as possible of share ownership among the general public and the company's employees; and fourthly, to achieve a good return for the Exchequer.

Mr Moore said that it was to ensure a wide spread of participation by the general public that the Government chose to offer the shares for sale at a fixed price rather than by tender. He suggested that the public's unfamiliarity with the tender approach, and the absence of the 'sort of speculative fever' generated by the likelihood of over-subscription, would have resulted in the level of interest in the offer being very much less both in terms of shares applied for and numbers of applications. Moreover, it was by no means clear that the Government would have achieved a selling price higher than the fixed price offered of 142p. Such uncertainties had pointed to 'a greater risk of a flop with a tender'.

Background

Amersham International is engaged in the development, manufacture and sale of radioactive materials for use in medicine, research and industry, and is one of the leading manufacturers of this type in the world. It supplies over 2,500 different radioactive products to growing markets and has received the Queen's Award for Export Achievement (see p 174, 1981) three times, most recently in 1979. Over 80 per cent of its turnover of £48·5 million in 1980-81 was exported. The company employs more than 2,000 people, of whom over 500 work for its overseas subsidiaries in the Federal Republic of Germany and the United States of America. Since the company was established (as The Radiochemical Centre) in 1971, no production has been lost as a result of industrial disputes and its sales volume has increased tenfold.

Ownership of the shares in Amersham International was transferred to the Government from the United Kingdom Atomic Energy Authority in October 1981.

Shorter Notes

SMALL ENGINEERING FIRMS INVESTMENT SCHEME

Small firms in the engineering industry will be eligible to receive a third of the cost of investment in certain types of advanced capital equipment under the new Small Engineering Firms Investment Scheme, announced at a press conference in London on 30 March by the Parliamentary Under-Secretary of State for Industry, Mr John MacGregor.

Despite the substantial tax incentives already available through capital allowances, Mr MacGregor said, small engineering firms often did not have the financial resources to carry out investment in the latest high technology products to enable them to compete successfully in the 1980s.

The scheme will be open for applications for one year. It is intended to provide a stimulus for firms to re-equip with metal-working machine tools, non-robotic welding machinery, physico-chemical machine tools, metal-working devices incorporating lasers or plasma, and metrology equipment. Any company employing fewer than 200 people and operating within the broad spectrum of the engineering industry will be eligible to apply.

To ensure that the equipment is of a relatively advanced nature, no machine costing less than £15,000 will be eligible for assistance. So that the money available is spread over as many genuine 'small' firms as possible a maximum project limit has been imposed of two machines costing not more than a total of £200,000. Grants will also be available to assist with installation, commissioning, tooling and accessory costs.

To qualify for the scheme firms must operate within the metal goods, engineering and vehicle industries as officially defined.

Source: Department of Industry press notice, 30.3.82.

AID FOR INDUSTRIAL INNOVATION

The Government has outlined the principal areas where additional support might be provided under the industrial innovation measures announced in the Budget (see p 118).

The measures, costing £130 million, include an additional £100 million for the Department of Industry's support programmes over the three years 1982-83 to 1984-85, and £30 million to extend tax allowances encouraging the use of teletext technology. By 1984-85 these additional funds will increase annual expenditure on the Department's innovation programmes as a whole by about one-sixth.

The measures will underline the importance of Information Technology Year 1982 (see p 335, 1981) by allocating about half the new funds to information technology and electronic applications. These will cover such areas as: the Department's Software Products Scheme (see p 434, 1978), under which support will be increasingly focused on more innovative areas of software product development; promotion of the use of information technology in training (by increasing the scope for information technology centres; see p 27), education (by extending the 'Micros in Schools' programme – see p 336, 1981 – to primary schools) and medicine (by helping the development of, for example, aids for the disabled and the administrative work of general practitioners); extension of the Microprocessor Application Project (see p 388, 1979); and additional allocation of funds for the Fibre-optics and Opto-electronics Scheme (see p 239, 1981) and promotion of collaborative research in opto-electronics.

Increased support for improvements in production techniques will be given under three main categories: support for the installation of flexible manufacturing systems, which make possible production by numerically controlled robot machines with greater variety and consistent quality; a new scheme (see above) for encouraging small engineering firms to purchase new capital equipment such as machine tools, metal-working and welding equipment; and an extension of the Department's Manufacturing Advisory Service (administered by the Production Engineering Research Association) and Design Advisory Service (administered by the Design Council).

Increased support will also be provided for space technology, in particular for an expanded 'national programme' enabling the British space industry to play a full role in exploiting the advances in business communications systems, remote sensing (surveillance of land and sea for a wide range of commercial, industrial and scientific purposes), satellite television broadcasting (see pp 90-2) and maritime communications, and preparatory work on cable television (see p 141).

The 100 per cent first year tax allowances on television sets bought by rental companies, due to be phased out in 1981-82, will now be extended until 1 June 1983 for sets equipped to receive teletext (see pp 478-9, 1976). This measure will introduce a differential in allowances in favour of teletext sets over ordinary sets until 1 June 1985. As a result, the rental companies should increase significantly the percentage of teletext sets that they purchase.

Source: Department of Industry press notice, 10.3.82.

AID FOR INDUSTRIAL ENERGY USERS

The Government has given details of proposals announced in the Budget (see p 118) to help industrial users of energy. The proposals concern large users of electricity, industrial gas contracts, consumers of foundry coke and boiler conversion.

On 1 April a new scheme to help large industrial customers was introduced by the electricity supply industry. Under the scheme, electricity boards in England and Wales, and in Scotland, will offer –

to customers who have an average winter weekday demand of 6 MW or more – three-year contracts providing for a reduction in electricity charges of up to 16 per cent in return for a commitment to reduce consumption at peak demand periods. (The periods of reduced consumption will not exceed 60 hours a year in total and consumers will be given at least two hours' notice.) The boards estimate that more than 100 large users – particularly in the iron, steel and chemical industries – are likely to benefit from the scheme. Other special arrangements first introduced in 1981 to assist such users and announced in the 1981-82 Budget (see pp 100-1, 1981) will continue in 1982-83. The Government has increased the external financing limits for 1982-83 of the electricity supply industry in England and Wales by some £90 million, and in Scotland by up to £10 million, to enable the new scheme to be introduced and to allow the existing arrangements to continue.

The price of gas, after the first 25,000 therms, taken by contract customers during the contract year will be frozen until the end of 1982 at the level charged on 1 April 1982. The cost of this measure has been forecast at £61 million.

The Government has asked the National Coal Board to take measures to continue its freeze (at the level charged on 1 January 1981) on the prices of foundry coke until the end of 1982, and will increase the Board's external financing limit and deficit grant for 1982-83 by £7 million to take account of this.

The scope and coverage of the Coal Fired Boiler Scheme, introduced in the 1981-82 Budget (see p 101, 1981) to make grants of up to 25 per cent for converting oil-fired boilers to coal-fired, was extended on 9 March. The scheme, re-named the Coal Firing Scheme, and administered by the Department of Industry, now covers switching to coal-firing from a wider range of industrial equipment including both oil- and gas-fired boilers, furnaces, ovens, kilns and driers. The scope of the scheme has also been extended to cover service industries (such as laundries and hotels) and mineral extraction, in addition to the industrial and agricultural sectors already covered. To enable smaller firms to apply, the minimum threshold for projects eligible for support has also been reduced from £25,000 to £15,000. These extensions to the scheme are expected to ensure that the £50 million allocated to it under the 1981-82 Budget is fully taken up. The scheme will close for applications on 31 March 1983 or when the allocation has been fully taken up, whichever is the sooner.

Sources: Department of Energy press notice, 9.3.82; Scottish Office press notice, 9.3.82; and Department of Industry press notice, 10.3.82.

SOCIAL AND CULTURAL AFFAIRS

Crime, Law and Order

The effectiveness of the police in dealing with crime of different kinds, the remedies available to the courts and the prison building programme have been discussed by the Home Secretary in a debate on law and order in the House of Commons.

In a 'supply day' debate (*Hansard*, Vol 20, No 85, cols 1107-81), the Home Secretary, Mr William Whitelaw, said that the recent parliamentary, public and press debate and comment about crime, law and order and policing would have served a good purpose if it prompted a measured and realistic response. He went on to describe the effectiveness of the criminal justice system in dealing with those who commit crime. Earlier, the Opposition spokesman on home affairs, Mr Roy Hattersley, had said that the public debate about crime should not be about the strength of punishment but the effectiveness of the police. He asked the Government to accept that there was a relationship between increasing crime and unemployment but pointed out that in doing so he was not condoning the conduct of young criminals. It was necessary to re-establish the policeman 'on the beat' to protect the public and deter criminals.

HOME SECRETARY'S SPEECH

Some of the main points from the Home Secretary's speech are given below.

Policing

Dealing with the police service, Mr Whitelaw said that its situation had been transformed. Pay had been increased, police strength in England and Wales had risen by more than 8,000 since May 1979 and almost all forces were now up to their establishment. The Metropolitan Police, for years thousands short, exceeded 25,000 [its highest ever figure] and would reach its establishment in the foreseeable future. Increasing numbers of policemen throughout the country were going back on the beat instead of driving patrol cars. Community policing was more and more the rule rather than the exception and had been made possible, in the inner cities particularly, by the rapid growth of manpower.

The new strength of the service had enabled the police and the Government together to rebuild and remould police effectiveness. The Government was now engaged in a thorough examination of training and was improving the quality of supervision and management. Moreover, in the past few years, the police had had to tackle a range of new or growing problems. With full government support, they had developed new organisational, tactical and technical changes which had improved their effectiveness.

There was no more testing modern challenge than that of terrorism, said the Home Secretary. To combat it in all its forms –bombings, assassinations, sieges, hijackings – was highly intensive in terms of resources and had required the rapid development of specialist skills and contingency planning. Skilled protection, painstaking investigation, patient negotiation and tight command and control had brought the police, and therefore the public, the rewards of success.

Improvements in planning, command, tactics, training and equipment were also the hallmarks of increased police effectiveness in the face of serious disorder, continued Mr Whitelaw. In two areas their impact on effectiveness was clear. The first was the provision of mutual aid – the arrangement by which one force provided assistance to another which was under pressure. Secondly, the equipment now available to the police for their protection had enabled chief officers to adopt more positive tactics to break up violent groups.

The police had also adapted their operational techniques to overcome the methods of the most highly organised criminals operating at national and international level. World-wide networks of drug importers and distributors had been broken up and large seizures of cocaine, heroin and cannabis had been made. Against major gangs of robbers and burglars, operating across the country, the police were steadily scoring important successes. Such success, against highly sophisticated criminals, could be brought about only by the effective organisation of criminal intelligence, the concentration of effort on carefully selected target criminals and, often, a high degree of co-operation between officers from regional crime squads and a number of different police forces. Between them, these officers possessed an impressive range of detective and specialist skills and the police record of detection of the most serious crimes – which was excellent – bore this out. In 1981, 97 per cent of the 559 homicides in England and Wales were cleared up by the police. In the same year there were some 6,300 offences involving danger to life, of which 80 per cent were cleared up.

In relation to terrorism, public order, highly organised crime, and the most serious crime, there was a record of action and success of which the police could be proud and the public reassured. But individual members of the public were more closely affected in their homes and on the street by other crimes, particularly burglary and robbery.

Tackling Local Crime

Before discussing the action being taken to tackle these problems, Mr Whitelaw referred to the recent decision by the Commissioner of Police in the metropolis to publish figures for the racial appearance of people involved in street robberies in London. He said that it was better for such problems to be discussed in terms of facts rather than rumour.

Crimes of burglary, street robbery and vandalism were serious problems rooted frequently in particular communities. They often required particularly local measures to deal with them. There were four strands of action to be taken and an effective approach must link them. First, the local community had to see that action was possible and was being taken, both to try to reduce the level of crime and to remove fear of it. This must mean that police were put back on foot patrol where they built up detailed knowledge of their beat and could be identified more closely with the local community. In addition to men already deployed in that way, 900 more officers had already been returned to beat duty in London and 300 in greater Manchester and the story was the same in places as different as Toxteth and Sussex. The Commissioner of Police in the metropolis had further plans for another 300 men to be put back on the beat.

Secondly, there needed to be a reappraisal of methods and tactics employed. In dealing with highly professional criminals, police success came from the organisation of criminal intelligence and from focusing attention upon target areas and target criminals. The same principles were being applied with success to the operations against more local crimes and criminals. Such operations were not restricted to an occasional show of strength which might briefly send the criminals to ground. They had been, and had to be, sustained until the criminals were caught and brought to justice. Special burglary squads and street crime squads, by applying these techniques in new adapted ways, were achieving encouraging successes. These efforts on the ground were being supported by Home Office research into methods of deployment.

Thirdly, in tackling the problem of local crime, crime prevention had a crucial part to play. It needed to be operated by local voluntary and government agencies as well as by individuals. Voluntary crime prevention panels, of which there were now 180 in England and Wales, had for some time been doing good work, mainly by schemes to improve physical security. Planning had an important part to play in local crime prevention. For example, street lighting, local housing developments and recreational facilities could be planned and developed so as to limit the opportunities for crime. This was an area in which the Government would look to local authorities and other agencies for an increasing involvement with the police at senior level.

The fourth strand of action in dealing with local crime was the way in which the police, other agencies and the community together took practical steps to tackle particular problems. There was a major task here for new consultative arrangements, as this local approach was the most effective way to deal with particular neighbourhood problems. Such local initiatives were essential, but they required co-ordination, firm encouragement, and the means of spreading good practice. Thus, a realistic strategy against crime must recognise that it was a problem for all the community, and could not be left to the efforts, determined though they might be, of the police alone. Nor could it be left to the consciences and goodwill of individuals.

Parliament, Mr Whitelaw continued, had a duty to ensure that the police were provided with the legal powers that they needed to discharge the heavy and difficult responsibilities that it imposed upon them. It had a duty also to ensure that these powers were accompanied by due safeguards for the citizen. The Royal Commission on Criminal Procedure had carried out a thorough examination of the existing law on police powers with both these considerations in mind (see pp 29-31, 1981). It had made proposals, too, about the initiation of criminal proceedings and, less comprehensively, about the trial process.

The Government had accepted the case which the Royal Commission had made for the extension of police powers, in particular by rationalising the existing powers to stop and search for stolen goods and by introducing powers to stop and search people for offensive weapons, and to search premises for evidence in difficult cases. It intended to bring forward proposals for legislation on these lines.

Referring to calls for institutional changes, Mr Whitelaw said he did not believe that it would be responsible to change the arrangements whereby the Metropolitan Police were accountable to the Home Secretary. Nor did he believe that outside the metropolis the Government should look to major institutional amendment of the Police Act 1964, which provided a fully adequate framework for developing the proper roles of chief officer, police authority, and Home Secretary, and for enhancing police effectiveness. Within its structure, and separately in London, the Government would press forward action to strengthen community consultation.

It was time that the sterile debate about 'hard' and 'soft' policing was ended. The range of activities which he had outlined in improving effectiveness, the major successes that the police had achieved and the complex problems that they faced could not be summed up in those terms. Police officers knew that effectiveness in tackling crime needed carefully planned vigorous law enforcement and consistently applied community contact and consultation. Neither on its own was sufficient in policy and practice; both were necessary.

The Process of Trials

The effectiveness of the police depended upon, and was inseparable from, the effectiveness of the criminal justice system as a whole. It was therefore necessary to be concerned also with the working of the courts and of the services which dealt with convicted offenders. As regards the trial process, an issue over which much anxiety had recently been expressed was the integrity of the jury system and the need to exclude from juries people who had themselves been convicted of crime. The present law debarred those who, within the past ten years, had served a prison sentence of three months or more. It was the Government's view that the area of disqualification must be widened to exclude anyone convicted of an imprisonable offence during the past ten years, even though no immediate sentence of imprisonment had been imposed.

For serious offences, the existing law already provided maximum penalties higher than most people supposed. The most serious crimes of violence, including manslaughter, rape, robbery, using a firearm to resist arrest, and possessing a firearm with intent to endanger life, carried liability to life imprisonment. For other serious offences, including burglary, handling stolen goods and trafficking in certain drugs, the maximum was as high as 14 years. Mr Whitelaw said that he knew that the courts were aware of the feelings of the House of Commons and the public at large that violent criminals should expect to receive substantial terms of imprisonment.

Mr Whitelaw mentioned the Criminal Justice Bill (see pp 39-41), which would help to strengthen, extend and make more flexible the range of sentences available to the courts. It met, in particular, the widespread concern that the courts were unable to deal effectively with the increasing involvement of young people in crime. It would provide the courts with realistic alternatives to committal to detention centre or youth custody, and so enable them to be more discriminating in their use of custodial sentences. It was also strengthening their powers to bring home to parents, where necessary, their responsibility for their children's wrongdoing. In relation to summary offences by adults, the Bill was bringing maximum fines up to more realistic levels. The Government was enabling a greater number of offenders to be dealt with outside prison by increasing the number of attendance centres and by giving extra resources to the probation service. Its policy was to make the most effective use of limited resources, under constraints imposed by the previous neglect of the prison system.

Prisons

The Government had substantially increased the resources available to the prison system. The present building programme should produce 5,000 new places in the 1980s and construction of eight new prisons was to start in the period 1981-85. The Government would spend over £50 million this year, with more to come, on redevelopment, refurbishing and repairs in existing establishments. That included 14 major capital projects at existing establishments, on which the Government was spending £23 million in the current financial year, and there were dozens of smaller schemes elsewhere. Major reconstruction projects were planned at over 60 establishments. Through these unprecedented efforts it was ensuring that the capacity of the system was maintained and improved.

Crime Statistics

In a debate on law and order, in the House of Lords on 24 March (*Hansard* (*HL*), Vol 428, No 62, cols 967-1053) Lord Belstead, then the Parliamentary Under-Secretary of State at the Home Office, referred to the announcement by the Metropolitan Police, two weeks previously, that in 1981 serious offences recorded in London had risen by 8 per cent compared with the previous year and that the corresponding rise nationally had been 10 per cent. Figures of this kind did not tell the whole story, he said. A traditional measure of the violence of a society used to be its murder rate. The figure of 559 homicides recorded in 1981 was appreciably lower than for the two previous years. The number of sexual offences was also lower than for some years. On the other hand, the number of robberies recorded in 1981 had risen disturbingly by about one-third in comparison with 1980. The figure now amounted to about 40 robberies a year for each 100,000 of the population. That was far too high, though it was worth bearing in mind that in 1980, at 244 robberies per 100,000 of the population, the rate in the United States of America was six times greater.

Social Security Benefits

The annual uprating of social security benefits in November 1982 will reflect the expected rise in the level of prices. Other changes will include an increase in the amount that retirement pensioners, people receiving invalid care allowance and certain other beneficiaries may earn without their benefits being affected, and the removal of mobility allowance from taxation.

Details of the new benefit rates and other changes were announced in the House of Commons on 10 March by the Secretary of State for Social Services, Mr Norman Fowler (*Hansard*, Vol 19, No 74, cols 850-65). Most benefit rates will increase by 11 per cent: 9 per cent to reflect the expected increase in the general level of prices since November 1981 and 2 per cent to make up the amount by which the 1981 uprating fell short of the rise in prices over the previous year. The measures would particularly benefit the elderly and would also give valuable extra help to all families with children, said Mr Fowler. They were designed to bring practical help to those who needed it most.

The main points of Mr Fowler's statement are described below. Details of current and proposed

benefit rates – the latter are subject to parliamentary approval – are also given.

MINISTER'S STATEMENT

Increased Rates

The standard rate of basic retirement pension for a single person will go up by £3·25 a week to £32·85. The rate for a married couple will go up by £5·20 to £52.55. The Christmas bonus of £10 for pensioners will be paid on the same basis as in 1981, and it is proposed to increase the earnings limit for retirement pensioners from £52 to £57 a week. [The earnings limit is the amount a pensioner may earn without the pension being affected; if more is earned then the pension is reduced on a sliding scale. The rule does not apply to women aged 65 and over and men aged 70 and over.] This is the first increase in the earnings limit for three years.

The standard rate of sickness benefit and unemployment benefit will increase by £2·50 for a single person to £25·00, and by £4·05 to £40·45 for a married couple. The 11 per cent increase will apply also to: the earnings-related additional component to National Insurance pensions; pensions payable under the old graduated pension scheme; guaranteed minimum pensions under contracted-out occupational pension schemes; and public service pensions. It will also apply to all other weekly National Insurance benefits, including industrial injuries benefits, and to war pensions.

Child benefit paid in respect of every child regardless of parents' circumstances – the main social security benefit for children – is to be increased by more than 11 per cent, from £5·25 to £5·85. One-parent benefit will go up by the same percentage from £3·30 a week to £3·65, which means that a one-parent family with two children not in receipt of any other social security benefits will receive £15·35 a week. After taking the increases in child benefit into account, as has been the practice in previous years, the dependency additions for children paid with short-term National Insurance benefits will be 30p a child compared with 80p at present. The child dependency additions payable with retirement, widow's or invalidity pensions will increase from £7·70 a child to £7·95.

The prescribed levels of income for family income supplement (for lower paid workers with children) will rise by £8·50 to £82·50 a week for one-child families, and the additional amount for each further child will be raised from £8 to £9 a week.

Supplementary Benefit

The Government proposes to increase the scale rates of supplementary benefit from November 1982 by 10·5 per cent but housing costs will be paid in addition. [At present people may be eligible for financial help with housing costs from two different sources – supplementary benefit payments made towards rent and rates, and local authority rebates and allowances. Under the Social Security and Housing Benefits Bill, at present before Parliament, all help would be administered by local authorities.]

The amount of capital that may be held by a claimant of supplementary benefit is to be increased by £500 to £2,500; this will fully restore the value the limit held when it was first introduced. A further improvement to the scheme is to be made by increasing the amount of occasional payments by way of a gift which can be disregarded. At present any excess over £20 is deducted from benefit; the amount will be raised to £100. Supplementary benefit heating additions, which are now paid to 2 million families, are to be raised in line with the expected rise in fuel prices between November 1981 and November 1982. The standard amount will rise from £1·65 to £1·90 a week and the higher rate from £4·05 to £4·65.

Invalidity Benefits

Mobility allowance, which helps to pay the transport costs of physically disabled people who are aged between 5 and 65 and are unable or virtually unable to walk, will no longer be subject to tax and is to be increased from £16·50 to £18·30 a week. These measures will help even more disabled people to take advantage of the Motability scheme for leasing or buying cars on advantageous terms. The weekly amount which can be earned by someone who is looking after a severely disabled person and still remain eligible for invalid care allowance will be increased from £6 to £12. A further improvement affects the 'therapeutic' earnings limit, which helps people recovering from illness and receiving sickness, injury or invalidity benefits who want to get back into full-time work. The amount that they can earn without suffering loss of benefit is to be increased by 21 per cent from £16·50 to £20·00.

Social Security Expenditure

The total cost of the uprating will be close to £3,000 million in a full year, of which about £2,000 million will fall on the National Insurance Fund and the balance on the Consolidated Fund. The proposals mean that annual expenditure on social security benefits will rise to over £30,000 million in 1982–83, which represents about 26 per cent of all public spending.

BENEFIT RATES

Main Contributory and Non-Contributory Benefits

The payment of some benefits – such as retirement, widow's and invalidity pensions and sickness and unemployment benefit – depends upon contributions paid under the National Insurance scheme. Other benefits do not depend upon contributions: the main one is child benefit but there are also a number providing special help, for example for disabled people.

	Existing weekly rate £	*Proposed weekly rate* £
Child benefit		
Each child	5·25	5·85

	Existing weekly rate £	Proposed weekly rate £
One-parent benefit		
First or only child of certain lone people	3·30	3·65
Standard rate of retirement and widow's pensions and widowed mother's allowance		
Single person	29·60	32·85
Wife or other adult dependant	17·75	19·70
Standard rate of invalidity pension		
Single person	28·35	31·45
Wife or other adult dependant	17·00	18·85
Invalidity allowance payable with retirement and invalidity pension		
Higher rate	6·20	6·90
Middle rate	4·00	4·40
Lower rate	2·00	2·20
Standard rate of unemployment and sickness benefits		
Beneficiary under pension age		
Single person	22·50	25·00
Wife or other adult dependant	13·90	15·45
Beneficiary over pension age		
Single person	28·35	31·45
Wife or other adult dependant	17·00	18·85
Widow's allowance (first 26 weeks of widowhood)	41·40	45·95
Maternity allowance	22·50	25·00
Attendance allowance		
Higher rate	23·65	26·25
Lower rate	15·75	17·50
Retirement pension for people over 80[1]		
Higher rate	17·75	19·70
Lower rate	10·65	11·80
Non-contributory invalidity pension, invalid care allowance	17·75	19·70
Increase of non-contributory invalidity pension and invalid care allowance for a wife or other adult dependant	10·65	11·80
Mobility allowance	16·50	18·30
Guardian's allowance, child's special allowance	7·70	7·95
Rate of benefit for children of widows, invalidity, non-contributory invalidity and retirement pensioners, invalid care beneficiaries; unemployment and sickness beneficiaries when claimant is over pension age	7·70	7·95
Rate of benefit for children of all other beneficiaries	0·80	0·30

Industrial Injuries Benefits

Industrial injuries benefits are payable to employed people who suffer injuries caused by an accident at work or from a prescribed industrial disease contracted there. Injury benefit is payable for up to 26 weeks and may be followed by disablement benefit.

[1]An age addition of 25p is payable to retirement pensioners who are aged 80 or over.

	Existing weekly rate £	Proposed weekly rate £
Injury benefit[1]	25·25	27·75
Disablement benefit (100 per cent assessment)	48·30	53·60
Unemployability supplement[2]	28·35	31·45
Special hardship allowance (maximum)	19·32	21·44
Constant attendance allowance (normal maximum)	19·40	21·50
Industrial death benefit		
Widow's pension (first 26 weeks of widowhood)	41·40	45·95
Widow's pension (higher rate)	30·15	33·40
Widow's pension (lower rate)	8·88	9·86

Main Supplementary Benefits

Supplementary benefits are payable to people who are not in full-time work and whose financial resources fall below a certain level. The amounts shown below are the weekly levels laid down for the requirements of married couples, single householders and others. Benefit awarded is the difference between resources and these requirements. The long-term rates apply to retirement pensioners and to those people below pensionable age who have received supplementary benefit continuously for two years, provided that the award has not been subject to the condition of registering for employment.

	Existing weekly rate £	Proposed weekly rate £
Ordinary rate		
Husband and wife	37·75	41·70
Person living alone	23·25	25·70
Any other person aged:		
18 and over	18·60	20·55
16–17 years	14·30	15·80
11–15 years	11·90	13·15
Under 11 years	7·90	8·75
Long-term rate		
Husband and wife	47·35	52·30
Person living alone	29·60	32·70
Any other person aged:		
18 and over	23·65	26·15
16–17 years	18·15	20·05
Non-householder housing additions	2·25	To be announced
Heating additions		
Lower rate	1·65	1·90
Higher rate	4·05	4·65
Dietary additions		
Lower rate	1·30	To be announced
Higher rate	3·05	
Blindness addition	1·25	No change

[1]Increases for adult dependants and children will be the same as those payable with unemployment and sickness benefits, where claimant is under pension age.

[2]Invalidity allowances and increases for adult dependants and children will be the same as those payable with invalidity pensions.

	Existing weekly rate £	*Proposed weekly rate* £
Addition for claimant or dependant over age 80	0·25	No change

Family Income Supplement

Family income supplement is a benefit for families with small incomes where the head of the household is in full-time work and where there is at least one dependent child. It is payable when the gross weekly income of a family falls below a prescribed amount. The weekly rate of supplement is half the difference between the family's income and the prescribed amount up to a maximum figure depending on the number of children in the family, and is the same for single parents as for two-parent families. 'Full-time work' means, for the purpose of this benefit, work of at least 30 hours a week for two-parent families or 24 hours a week for one-parent families.

	Existing weekly rate £	*Proposed weekly rate* £
Family income supplement:		
Prescribed amount for family with one child (income below which FIS is payable)	74·00	82·50
Increase in prescribed amount for each additional child	8·00	9·00
Maximum weekly amount for a one-child family	18·50	21·00
Increase in maximum amount for each additional child	1·50	2·00

Main War Pensions

War pensions are payable to people disabled as a result of service in the armed forces, to people disabled from injuries received in the Merchant Navy or Civil Defence during wartime, or to civilians injured by enemy action.

	Existing weekly rate £	*Proposed weekly rate* £
Disablement benefits		
Disablement pension for private at 100 per cent rate	48·30	53·60
Unemployability allowances		
Personal allowance	31·40	34·85
Wife or other adult dependant	17·75	19·70
Child	7·70	7·95
Comforts allowance		
Higher rate	8·40	9·30
Lower rate	4·20	4·65
Allowance for lower standard of occupation (maximum)	19·32	21·44
Constant attendance allowance		
Special maximum	38·80	43·00
Normal maximum	19·40	21·50
Age allowance with assessments of:		
40 and 50 per cent	3·35	3·70
Over 50 and not exceeding 70 per cent	5·25	5·85
Over 70 and not exceeding 90 per cent	7·50	8·35
Over 90 per cent	10·50	11·70
Exceptionally severe disablement allowance	19·40	21·50
Severe disablement occupational allowance	9·70	10·75
Clothing allowance (per year)		
Higher rate	65·00	72·00
Lower rate	41·00	46·00
Death benefits		
Widow's pension (private's widow)	38·45	42·70
Childless widow under 40	8·88	9·86
Rent allowance	14·65	16·25
Age allowance for elderly widows:		
Aged 65–69	3·75	4·15
Aged 70 and over	7·50	8·30
Adult orphans	29·60	32·85

Drug Misuse by Young People

Measures to deal with the increase in the extent of drug misuse in Britain over the last few years have been described in a debate in the House of Lords. These include the work of international agencies and national law enforcement authorities to combat drug trafficking, the medical treatment available to drug misusers, help provided by local authorities and voluntary organisations and research into the problem. The Government's opposition to legalising cannabis was also expressed.

During a debate in the House of Lords on 22 March (*Hansard* (*HL*), Vol 428, No 60, cols 906–12) Lord Cullen of Ashbourne, a government spokesman, outlined the scale of the problem and described the action being taken to deal with drug misuse. The main points of his speech are summarised below.

Scale of the Problem

The number of addicts reported to the Home Office by medical practitioners has doubled in the last five years, from 1,700 in 1977 to 3,400 in 1981.[1] Although the majority of notified addicts are currently in their late twenties, there has been a significant increase in new notifications among the younger age group. There are, however, many who misuse drugs who never attempt to seek treatment. Estimates for the total number of hard drug misusers range from 5,000 to 40,000 and the true figure probably lies somewhere between these two estimates.

[1]The Misuse of Drugs Regulations 1973 require any doctor to notify the Chief Medical Officer of the Home Office of any person he attends whom he considers, or suspects, to be addicted to certain controlled drugs. Controlled drugs fall into three categories: *Class A* includes opium, heroin, morphine, methadone, lysergic acid, and injectable amphetamines; *Class B* includes opiate drugs, as well as codeine, cannabis, cannabis resin, and certain other stimulant drugs of the amphetamine group; *Class C* contains other drugs which on present experience are considered to present lesser dangers than those in *Classes A* and *B*.

Prevention

International Agencies

The increased availability of hard drugs, particularly heroin, is a major factor in the growth of drug misuse and part of the Government's efforts is directed at stemming the movement of drugs into Britain. Drug trafficking is an international problem which requires close co-operation between the authorities of the countries involved – these might be termed producer countries, transit countries and consumer countries. Co-operation takes place at a number of levels.

Britain takes an active part in the work of the United Nations Commission on Narcotic Drugs. Last year the Commission agreed a five-year programme of action aimed at achieving united action in the fight against drug abuse. Assistance is also given to individual countries in practical ways through advice and training, particularly for law enforcement officers. Britain makes an annual contribution to the United Nations Fund for Drug Abuse Control which, in addition to improving law enforcement capacity, finances major projects in developing countries aimed both at reducing the illicit production of narcotic drugs and at countering the effects of drug abuse.

In Europe, Britain participates in the work of the Council of Europe Co-operation Group against drug abuse and illicit trafficking in drugs (known as the Pompidou Group). This body is developing a programme of activities particularly suited to the needs of European countries.

National Agencies

Co-operation between national law enforcement agencies is also of great importance in the fight against drug trafficking. Liaison between Her Majesty's Customs, the police and their counterparts in other countries is now very close. These links make a valuable contribution in detecting drug traffickers. Another body with an important national and international role is the Central Drugs Intelligence Unit, located in New Scotland Yard and jointly staffed by police officers from a number of forces and by customs officers.

Her Majesty's Customs have had notable successes in the past few years, and in 1981 there were a total of 326 seizures of hard drugs worth an estimated £20 million. In all, 90 kg of heroin, 6 kg of morphine, nearly 10 kg of opium and 13·5 kg of cocaine were seized.

In 1981 the Association of Chief Police Officers held the first National Police Drug Conference, and a second was held in March. These have provided an opportunity for chief officers to review their priorities and practice and they indicate the seriousness with which the police service views the problem and the determination with which it is responding. The police are increasingly concentrating their efforts on those who traffic in hard drugs and have had some notable successes.

The maximum penalty for trafficking in Class A or B drugs under the Misuse of Drugs Act is 14 years' imprisonment and/or an unlimited fine, and the courts have on occasion imposed the maximum penalty.

Treatment for Addicts

Within the hospital service most drug misusers are treated as out-patients. The consultant psychiatrist responsible may run a full-time drug dependency service for 100 or more out-patients; he may be a general psychiatrist who sees patients within a general psychiatric clinic. The staff support may include other medical staff, nurses, social workers, clinical psychologists and clerical support. In some areas, psychiatric nurses work with drug misusers in the community. There are about 50 such hospital-based facilities in England and Wales, 18 of them in London, which provide some specialist services for opiate addicts.

Relatively few hospitals have designated in-patient beds, but there are about 100 beds in England and Wales, mostly in London. Most consultants, however, depend on the availability of general psychiatric or medical beds when in-patient treatment is needed – for example when a patient is willing to undergo complete withdrawal from drugs or is in an acute intoxicated state.

Some general practitioners offer assistance and help is also available from some local authorities, although these are mainly in London where the problem is most acute. They may become involved in helping associated family problems, with children or adolescents in trouble, or in co-operating with housing departments on accommodation for vulnerable young people. Help is also given by voluntary organisations. There are over 200 places provided in rehabilitation houses in England and some local authorities contribute to the financial support of rehabilitation houses and other voluntary agencies providing support and counselling for drug misusers. The Department of Health and Social Security and certain local health authorities also contribute in cash and kind to voluntary organisations: two national organisations undertaking valuable work which are given grant aid are the Institute for the Study of Drug Dependence and the Standing Conference on Drug Abuse.

People who have already begun to misuse drugs can be helped and evidence suggests that the earlier help is sought the better the outcome. The drug misuser may need a wide range of help over time for a chronic, relapsing and sometimes fatal condition. In areas where treatment and rehabilitation facilities are available over a period the number enabled to live a more normal, socially acceptable and ultimately drug-free life is significantly increased.

Adequacy of Provision and Research

The nature of the problem of drug abuse has been changing and there has been concern as to whether the present services are adequate to respond to the needs of drug treatment and rehabilitation. Not only has there been an increase in opiate abuse, but a recent development is multiple drug misuse, including opiates as well as other drugs which are not subject to the same control. In consequence, professionals working within the established hospital-based facilities are reviewing their roles. Resources for statutory and voluntary services are constrained and their best deployment must be considered. The staffing of

clinics for drug misusers and the training of staff is a matter for individual authorities in the light of local needs and available resources. It is likely that this provision will be reviewed in the light of recommendations expected from the treatment and rehabilitation working group of the Advisory Council on the Misuse of Drugs. The Council, a statutory body set up under the Misuse of Drugs Act to advise on all aspects of drug misuse, hopes to produce reports on prevention, treatment and rehabilitation by the end of the year.

The Department of Health and Social Security encourages innovation by statutory and voluntary agencies and provides research, for example to determine how information on the nature and extent of drug misuse problems can be obtained in particular localities, with a view to helping health and local authorities to make reliable assessments of the appropriate responses required. The Department, jointly with the Medical Research Council, also funds the Addiction Research Unit whose work may give a deeper understanding of the problem of addiction.

Cannabis

The Advisory Council on the Misuse of Drugs has commissioned a group of experts to assess the evidence of the effects of cannabis use. The group's report states that there is insufficient evidence to reach any incontestable conclusion and that more research is needed, especially with regard to long-term effects. As long as there is substantial uncertainty about the harm caused by cannabis the Government shares the view expressed by the advisory council that a cautious approach to any change in the present law is necessary. The Government could not responsibly support a change in the law relating to cannabis as long as the dangers of using that drug are not adequately known. It does not intend to introduce or support legislation to alter the existing law concerning cannabis.

Health Education

Experience has shown that the 'scare' tactics which were popular some years ago do not succeed in preventing people from experimenting with drugs. Evidence suggests that a person can be well aware of the dangers of drug misuse and yet not be deterred from experimenting. Experts in this field now argue that a more positive approach is needed, which attempts to promote a healthy attitude to living in general and which does not concentrate specifically on drugs. A number of bodies have adopted this approach, particularly as regards health education in schools.

The Government is convinced that there is no quick or easy answer to the problem and is concerned to respond in a discriminating way, and to develop the expertise and the range of services that are already available. This will require a close and continuing partnership between the many agencies involved at local, national and international levels. It is also hoped that the reports awaited from the Advisory Council on the Misuse of Drugs will make a major contribution to the development of policies and strategies for prevention, treatment and rehabilitation of drug misusers, and will assist in ensuring that available resources are used to the best advantage.

More detailed information about drug misuse is contained in COI reference pamphlet *The prevention and treatment of drug misuse in Britain.* No R5945/78.

Cable Television Systems

The Government is to set up an inquiry into the implications for future broadcasting policy of an expansion of the role of cable television. This follows the publication of a report by the Information Technology Advisory Panel,[1] which concludes that there are powerful economic and industrial arguments for encouraging the installation of cable systems in Britain and recommends that the Government should take urgent steps to examine the possible implications for broadcasting.

Government Inquiry

In a statement in the House of Commons on 22 March (*Hansard*, Vol 20, No 82, cols 236-7), the Home Secretary, Mr William Whitelaw, said that the Government recognised the importance of the arguments contained in the report of the Information Technology Advisory Panel and wished to secure the benefits of cable technology for Britain. He had, therefore, decided that, in parallel with the urgent official studies which would be carried out into the economic, technical and telecommunications policy issues related to the expansion of cable technology, there should be an independent inquiry into the important aspects of broadcasting policy which it raised. These included such matters as whether cable operators should control cable systems as well as provide programme services; programme standards, and range and balance of programme content; the obligation on cable systems to relay British broadcasting services; whether advertising should be permitted; and the appropriate supervisory framework.

The inquiry will be chaired by Lord Hunt of Tanworth (who, as Sir John Hunt, was Secretary of the Cabinet from 1973 to 1979) and will make its recommendations by 30 September 1982. Its terms of reference are as follows:

> To take as its frame of reference the Government's wish to secure the benefits for [Britain] which cable technology can offer and its willingness to consider an expansion of cable systems which would permit cable to carry a wider range of entertainment and other services (including 'when available' services of direct broadcasting by satellite), but in a way consistent with the wider public interest, in particular

[1] *Cable Systems: A Report by the Information Technology Advisory Panel.* HMSO, £3·60. ISBN 0 11 630821 4. The Panel was appointed by the Prime Minister in June 1981. Its function is to advise the Government on all aspects of information technology and in particular to introduce market-related considerations into the formation of the Government's information technology policy.

the safeguarding of public service broadcasting; to consider the questions affecting broadcasting policy which would arise from such an expansion, including in particular the supervisory framework . . . .'

The Report's Recommendations

The Panel concludes that there are powerful economic and industrial arguments for encouraging the installation of cable systems in Britain. It estimates that it could cost some £2,500 million to provide modern cable services to half the homes in the country (that is, those living in urban areas), all of which could come from private sources if existing restrictions on the programmes that can be transmitted by cable were lifted. No direct public expenditure would, therefore, need to be involved. This would result in great benefits for the electronics and optical fibre industries as well as for office equipment manufacturers. New jobs would be created in the electronics industry, in cable installation and in providing new programme services.

The Panel acknowledges that cable systems could have a significant impact on existing broadcasting services, and recommends the Government to take urgent steps to examine the possible implications for broadcasting. These, however, should not be allowed to prevent cable systems from developing.

The Report stresses the desirability of having the new cable systems in operation before the start of satellite broadcasting services in 1986, since cable systems could provide subscribers with a cheaper and more convenient means of reception than would be possible with the individual dish aerials proposed.

The principal recommendations of the Advisory Panel are that the Government should:

1 Approve an early start on satellite broadcasting services.[1]

2 Indicate that cable systems should be allowed to distribute direct satellite broadcasting programmes, if necessary releasing operators from the obligation to distribute the existing broadcasting services, so long as they made alternative arrangements.

3 Announce the outline of future policy towards cable systems by mid-1982 in order to allow the private sector to start planning new systems.

4 Undertake an urgent review of the implications of expanded cable systems for the financing and regulating of broadcasting and the need for a new statutory 'cable authority'.

5 Formulate and announce its detailed administrative and regulatory proposals by 1983.

6 Urge cable operators and programme providers to set up effective means of self-regulation.

7 Establish, under the Department of Industry, a technical working group with representatives of cable operators, the electronics industry and British Telecom to examine alternative approaches to cable network design and recommend design standards for Britain; and define the necessary detailed engineering standards, consistent with commercial viability. This group should complete its work by 1982.

[1]The Home Secretary announced the Government's approval in principle for this on 4 March. (See pp 90-2 for further details.)

Background

About 2·6 million households in Britain, or 14 per cent of those with television sets, receive their television services by means of cable systems. About 1·5 million (8 per cent) are connected to the systems provided by some 440 commercial operators; the remainder are connected to 'non-commercial' systems operated by local authorities, housing associations and so on. An estimated further 2 million homes are passed by cable systems. In recent years there has been a slow decline in the number of subscribers to commercial systems and a rise in those receiving signals from non-commercial systems.

The transmission of radio broadcasts over wire to individual homes began in Britain in the 1930s in order to provide services to areas of poor reception. This 'relay' role was extended to television after the second world war (1939-45). In general the Home Office has allowed companies to relay only broadcast programmes thus restricting them to providing the three existing channels, although there have been experiments with pay-TV in the 1960s and community television in the 1970s. In September 1981 the Government granted a two-year licence for 13 pilot subscription television schemes (see below).

A modern cable system is capable of providing a very large number of services. The cable systems that are the subject of the report would be based on coaxial cables or, increasingly, optical fibres. They would have a high 'bandwidth' allowing several video channels to be delivered simultaneously to each house (unlike conventional telephone wires which cannot carry video signals). In addition to providing an increased number of entertainment services, including the relay of both conventional and direct satellite broadcasts, subscription television, and specialised subject channels, cable systems are also capable of providing two-way communication, enabling subscribers in their homes to order shopping, make holiday bookings, bet on televised horse-racing and make use of banking facilities. Practically any substantial minority interest may be able to justify the use of a channel, including, for example, educational services such as the Open University and evening classes provided by the local authorities.

Subscription Television Pilot Schemes

The most significant recent development in cable television has been the decision by the Home Secretary to license 13 pilot subscription television schemes, in which cable operators provide an additional programme service, consisting in general of recent feature films, on payment of an additional monthly subscription by households. The schemes, not all of which have yet started, are intended to operate for two years and will provide information on the public demand for such extra programme channels and also on the effect on viewing habits and therefore on other programme services.

DOCUMENTATION

Government and Administration

Northern Ireland: A Framework for Devolution (see p 101). Cmnd 8541. HMSO, £2·30. ISBN 0 10 185410 2.

Wales. COI, No 129/81.

Parliamentary Commissioner for Administration: Annual Report for 1981. In this report the Parliamentary Commissioner (Ombudsman) sees the need for better understanding between members of the public and civil servants, and observes that sometimes in cases not accepted for investigation the difficulty lies in the complainant's unrealistic expectations of departments and officials.

This year, for the first time, the report summarises all the significant remedies which the Parliamentary Commissioner has obtained for complainants of the 228 investigations completed in 1981, over 40 per cent of which were found to be fully justified. HMSO, £2·80. ISBN 0 10 225882 1.

Control of Immigration Statistics: United Kingdom 1981. Contains statistics of people given leave to enter Britain; those accepted for settlement; applications for entry made in the Indian sub-continent; and residence permits issued to European Community nationals and their dependants. In 1981, a total of 58,400 people were accepted for settlement in Britain, 27,650 on arrival and 30,750 on removal of the time limit. The total was lower than for the two previous years and nearly half – 27,440 – were Commonwealth citizens. Cmnd 8533. HMSO, £5·25. ISBN 0 10 185330 0.

Falkland Islands and Dependencies. COI, No 152/82. (French, German and Spanish translations in preparation.)

External Affairs and Defence

The United Kingdom Trident Programme. March 1982. Defence Open Government Document 82/1. Ministry of Defence.

Developments in the European Community July-December 1981. A record of Community developments during the period of Britain's Presidency of the Council of Ministers. Cmnd 8525. HMSO, £4·35. ISBN 0 10 185250 9.

Agreement between the . . . United Kingdom . . . and . . . Sierra Leone for the promotion and protection of investments. Cmnd 8501. HMSO, £1·15. ISBN 0 10 185010 7.

British Aid to Education in Developing Countries. Overseas Development Paper No 22, HMSO. Available free from the Information Department, Overseas Development Administration, Eland House, Stag Place, London SW1E 5DH.

Economic and Scientific Affairs

Financial Statement and Budget Report 1982-83 (see p 117). HMSO, £4·30. ISBN 0 10 223782 4.

Inland Revenue. 124th report of the Commissioners for the year ended 31 March 1981. Cmnd 8514. HMSO, £4·55. ISBN 0 10 185140 5.

Customs and Excise. Seventy-second report of the Commissioners for the year ended 31 March 1981. The report shows that over the year Customs and Excise receipts rose by 20 per cent, to over £21,900 million, equal to 39 per cent of central government revenue from taxation. Value added tax yielded £10,967 million, 34 per cent more than in 1979-80, and 50 per cent of total receipts. Duties on hydrocarbon oil, tobacco and alcoholic drink accounted for 41 per cent of the total. The cost of administration was £300 million, about 1·36p for every £1 of revenue. Cmnd 8521. HMSO, £6·40. ISBN 0 10 185210 X.

The Government's Expenditure Plans 1982-83 to 1984-85 (see p 123).

Volume 1. Cmnd 8494-I. HMSO, £4·15. ISBN 0 10 184940 0.

Volume 2. Cmnd 8494-II. HMSO, £7·45. ISBN 0 10 184941 9.

Supply Estimates 1982-83. Cmnd 8512. HMSO, £3·65. ISBN 0 10 185120 0.

Britain's Financial Institutions. COI, No 145/82. (French and Spanish in preparation.)

Health and Safety: Manufacturing and Service Industries 1980. HMSO, £5. ISBN 0 11 883457 6.

Public Boards 1982: List of Members of Public Boards of a Commercial Character as at 1 February 1982. Cmnd 8526. HMSO, £4. ISBN 0 10 185260 6.

Cable Systems: a report by the Information Technology Advisory Panel (see p 141). HMSO, £3·60. ISBN 0 11 630821 4.

Department of Industry Research Establishments Review 1981. The review shows that over the period 1975-76 to 1980-81 the establishments have earned 66 per cent more from contracts with industrial customers, there being a reduction in net cost to the Department from £33·5 million in 1975-76 to £26·4 million in 1980-81. The review emphasises that flexibility is the keynote of the way in which the establishments develop business arrangements with industrial firms and consultants. Available free from the Department of Industry Library, Ashdown House, 123 Victoria Street, London SW1E 6RB.

Social and Cultural Affairs

Home Office Report of Her Majesty's Chief Inspector of Prisons for England and Wales, 1981. HMSO, £4·35. ISBN 0 10 185320 3.

First Report of the Social Security Advisory Committee, 1981. The Social Security Advisory Committee was formed in November 1980 as the main independent advisory body on social security matters. During its first year it identified priority areas for study, conducted a national monitoring exercise on the new supplementary benefits scheme and investigated the quality of service given to the public. As a result it has made a number of recommendations for the improvement of the social security system, some of which have been accepted. HMSO, £7·50. ISBN 0 11 760749 5.

Fourteenth Report of the Countryside Commission. Covers the year ended 30 September 1981. HMSO, £10. ISBN 0 10 223482 5.

The Science Museum. COI, No 148/82.

Retention of Works of Art in Britain, and their Acquisition for the Nation. Observations by the Government on the Third Report from the Education, Science and Arts Committee, Session 1980-81. Sets out policy on safeguarding outstanding works of art which form part of the national heritage. The Government's view is that wherever possible private owners should be helped by means of capital tax reliefs to keep works of art of heritage quality provided that they are cared for properly and that the public is given reasonable access to them. If the owner wishes to dispose of a work of art there should be a suitable incentive to sell it to a public collection or to offer it to the nation in settlement of a tax liability. Cmnd 8538. HMSO, £1·15. ISBN 0 10 185380 7.

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